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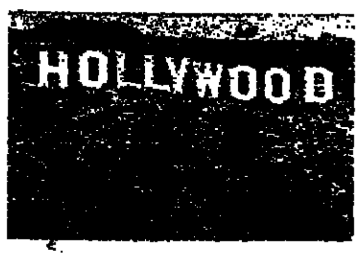

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FT Exporter
Taiwan

World Business Newspaper http://www.FT.com THURSDAY OCTOBER 10 1996

Israel is putting peace treaties at risk says Hussein

King Hussein of Jordan told Israel its peace treaties with Egypt and Jordan were in danger unless it fulfilled its international commitments to the Palestinians. The warning, from the Arab leader who has moved closest to Israel since the Middle East peace process began, prompted Israeli prime minister Benjamin Netanyahu to call an emergency meeting of his inner cabinet and to seek to send an envoy to soothe Amman. Page 18

Crédit Lyonnais seeks more cash: Crédit Lyonnais chairman Jean Peyrelevade raised the size of the cash injection he said was needed for his troubled French bank to FFr12bn ($2.3bn) from FFr6bn-FFr9bn, and extended the period before privatisation. Page 19

BMW aims to boost Rover output: German carmaker BMW made clear that it was committed to a 50 per cent increase in production at Rover Group, its British subsidiary, to about 750,000 vehicles a year. Page 9

Germany's budget goal under threat: Bonn's hope of keeping the federal budget deficit below DM70bn ($46bn) this year is under threat because privatisation proceeds are likely to fall far below the DM9bn envisaged, a report says. Page 3

Amoco drops central Europe project: US energy group Amoco signalled a retreat to its home territory with the announcement that it is to abandon a project to build a petrol station network based in central Europe. Page 19

Former Indian PM granted bail

The High Court in Delhi granted bail until Monday to former Indian prime minister P.V. Narasimha Rao (left), who has been charged in a forgery case. Mr Rao's lawyers won the five-day reprieve from arrest by arguing that the 75-year-old politician, who recently resigned as president of the Congress party, would not "flee from justice". The case alleges Mr Rao's complicity in an attempt to smear a rival politician through the forgery of documents.

France acts to cut welfare deficit: The French cabinet approved the first of a new series of annual welfare financing laws aimed at cutting this year's FFr52bn ($10bn) welfare deficit to FFr30bn next year. Page 2

UAP 7% ahead in first half: French insurance group UAP reported interim net profits up 7 per cent to FFr860m ($166m) and claimed the results of its restructuring were bearing fruit. Page 19

Brussels attacks industry costs: High costs of labour, energy, telecommunications and transport are dragging down industry in the European Union, a Commission report says. Page 2

Airline collapses: World Airlines of the UK, whose sole route was between London City Airport and Amsterdam, became the first casualty of Europe's fiercest fares war. Its leased BAe 146 jet was impounded in London for non-payment of landing fees. Page 9

Pasta makers attack US duties: Italian pasta producers appealed against a US Commerce Department investigation which led to duties being placed on their exports to the US. Page 7

Millennium system problem 'answered': A small UK company believes it has an answer to the "millennium problem" which threatens the dating systems of most business computers after the turn of the century. Page 9

Travellers carry more alcohol: The volume of wine imported by travellers returning to the UK by ferry rose by 67 per cent and spirits by 14 per cent this year over last, Britain's Wine and Spirit Association said. Page 9

Football walkover: Scotland were awarded a provisional walkover win in their World Cup qualifying match against Estonia in Tallinn. Their hosts failed to turn up because of a dispute over the kickoff time.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,936.95	(-29.82)
NASDAQ Composite	1,241.39	(+1.24)
Europe and Far East		
CAC40	2,146.71	(-14.89)
DAX	2,702.99	(+11.82)
FTSE 100	4,009.3	(-26.3)
Nikkei	20,870.83	(-167.7)

■ US LUNCHTIME RATES

Federal Funds	$5\frac{7}{16}$%
3-mth Treas Bills: Yld	5.103%
Long Bond	$99\frac{3}{8}$
Yield	6.793%

■ OTHER RATES

UK: 3-mo Interbank	$5\frac{7}{8}$%	(same)
UK: 10 yr Gilt	$100\frac{15}{32}$	($100\frac{13}{32}$)
France: 10 yr OAT	104.4	(103.99)
Germany: 10 yr Bund	101.95	(101.8)
Japan: 10 yr JGB	101.8688	(101.8322)

■ NORTH SEA OIL (Argus)

Brent Dated	$24.61	(24.67)

■ GOLD

New York: Comex		
(Dec)	$383.5	(383.4)
London:		
close	$381.5	(381.0)

■ DOLLAR

New York: lunchtime		
£	1.56455	
DM	1.53	
FFr	5.1715	
SFr	1.255	
Y	111.525	
London:		
£	1.5645	(1.5632)
DM	1.5285	(1.5272)
FFr	5.1668	(5.1615)
SFr	1.2525	(1.25)
Y	111.485	(111.275)
Tokyo close	Y 111.65	

■ STERLING

DM	2.3913	(2.3872)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lis 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kč70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zł 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)	Es265	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

Semiconductor industry data may signal end of year-long slump

Chip market set to recover

By Louise Kehoe in San Francisco

The global semiconductor market may be on the brink of a recovery after a year-long slump that has seen sales fall for the first time in a decade and forced most producers to slash output.

The Semiconductor Industry Association's book-to-bill ratio, a leading indicator of market trends, rose to 0.99 in September, up from a revised figure of 0.93 in August. The ratio, which measures the value of orders booked by chipmakers in the Americas against the value of shipments, is now at its highest level this year.

Orders by US manufacturers increased 9 per cent over the previous month to $3.19bn for September. Shipments rose 2.1 per cent to $3.22bn, the US industry trade group said.

"These are the most positive numbers we've seen all year," said Mr Doug Andrey, SIA director of information systems and finance. The data suggest the 1996 slowdown "has bottomed out", he said.

Data for worldwide sales, which trail American figures by a month, also show a rising trend. The global book-to-bill ratio rose to 0.97 in August, up from 0.95 in July. The September figure is expected to rise by about 1.0, analysts said.

"Orders are up sharply in the US and Europe," said Mark Edelstone, a semiconductor industry analyst at Prudential Securities. "September will prove to be the inflection point," in the semiconductor market cycle. The market should show positive growth by next March, he predicted.

While the latest data are encouraging, chip sales in the Americas remain well down on last year. September shipments were, for example, more than 20 per cent below those of the same period last year.

Most analysts expect 1997 market growth to be moderate, with sales increasing by about 10 to 15 per cent worldwide. This is a far cry from the torrid growth of over 40 per cent seen in 1995 when sales topped $150bn.

Moreover, not all US semiconductor manufacturers are benefiting from the pick up in sales. This week Motorola reported that its chip orders were sharply lower in the third quarter and Advanced Micro Devices warned that it may be another three months before orders rebound significantly.

By contrast Intel, the world's largest chip maker, said last month that it expected third-quarter sales and earnings to be significantly higher than Wall Street projections.

The mixed results reflect company-by-company issues, rather than market trends, said Mr Edelstone. Motorola's semiconductor product mix is geared to low-price commodity chips, while AMD has been late in producing microprocessors to compete with Intel's Pentium chips, he said.

One of the biggest factors affecting broad semiconductor market trends is the price of Dynamic Random Access Memory (D-Ram) chips. These data-storage devices are used in all types of computers and represent about a quarter of total worldwide semiconductor revenues.

D-Ram prices have fallen sharply over the past year. The price of a standard 16 Megabit D-Ram chip, widely used in personal computers, has slumped from about $50 a year ago to less than $10 today.

Even in the D-Ram sector, however, there are signs of recovery. Spot market prices – for chips ordered for immediate delivery – began rising last month after several months of sharp declines, said Evelyn Cronin of Dataquest, a US market research firm.

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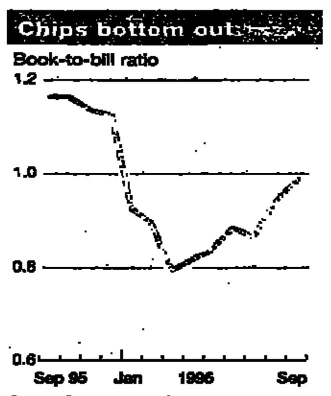
Chips bottom out



Source: Semiconductor Industry Associates

German groups plan $5bn telecoms alliance

By Michael Lindemann in Bonn and Alan Cane in London

Veba and RWE, two of Germany's largest conglomerates, plan to form a DM8bn ($5.4bn) telecommunications alliance, creating a formidable new competitor for Deutsche Telekom, the national operator which will be partially privatised next month.

RWE will pay a net DM2.5bn for a stake of about 37.5 per cent in the new company. It will contribute its extensive telecoms assets which include the largest privately-owned network in Germany comprising 70,000km of modern optical fibre cabling. RWE and Veba together operate private networks covering most of Germany.

The alliance signals the end of talks started earlier this year between RWE and British Telecommunications, which would have led to RWE becoming a member of the UK group's alliance with Viag, the Munich-based conglomerate.

Vebacom, Veba's telecoms subsidiary, is expected to hold 60 per cent of the holding company which will manage the joint venture, bringing with it Cable and Wireless, the UK-based telecoms group with which it forged an alliance 18 months ago.

Mr Stephen Pettit, C&W executive director, Europe and mobile, said the deal would give the group a smaller share of a more powerful operation: "It gives us greater confidence that the company we have invested in will be successful in the German market," he said.

The share prices of RWE and Viag moved sharply yesterday reflecting analysts' views of the earnings potential of the German telecoms market after liberalisation on January 1, 1998. RWE's share price rose DM2.22 to close at DM60.12, up 3.8 per cent, while Viag's shares fell

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US electricity group agrees $2.7bn deal

By Richard Waters in New York

Southern Company, the US electricity group which has embarked on an ambitious international expansion, yesterday won the contest for control of one of Asia's biggest independent power producers.

The Atlanta-based utility said it had agreed to pay $2.7bn for 80 per cent of Consolidated Electric Power Asia, which is currently controlled by Hopewell Holdings, the Hong Kong property and construction group. Hopewell put its 60 per cent interest in the company up for sale earlier this year.

The agreement will give Southern power generating plants in China and the Philippines, as well as electricity projects under construction in Pakistan and Indonesia. CEPA is believed to have attracted the interest of a number of electricity companies from the US and Europe, which are looking to expand into economies with faster-growing demand for power than their home markets.

The deal will also provide much-needed cash for Mr Gordon Wu, whose Hopewell group has been stretched financially by its pursuit of a number of other big infrastructure projects in the region.

Hopewell will remain the biggest minority shareholder in CEPA, Southern said, though it did not disclose the level of the group's remaining holding.

To finance the acquisition, the US company will pay $2.1bn to CEPA's shareholders, while the company itself will pay out a special $600m dividend.

Last year, Southern became the first non-UK group to acquire a British electricity company with its £1.1bn ($1.7bn) purchase of South Western Electricity. Its expansion overseas reflects an attempt to diversify at a time when the US's protected regional electricity markets are being opened to competition for the first time.

The acquisition will greatly expand the power generation capacity of Southern Electric International, the US group's fast-growing international subsidiary.

The US company already has electric power plants in Britain, Argentina, Chile, the Bahamas, and Trinidad and Tobago, besides the US.

In early afternoon trading in New York, Southern's shares slipped $⅝ to $21⅞.

Zurich Professor Charles Weissmann (right), an expert on BSE, tells a press conference that so-called mad cow disease may not die out of its own accord by 2001, as has been predicted. On his left is the European Union agriculture commissioner, Franz Fischler. Report, Page 2 Picture: AP

Vaccine for peptic ulcers threatens bestselling drugs

By Greg McIvor in Stockholm

Oravax, a small US biotechnology group, will next week unveil a vaccine which it claims could almost eliminate the market for peptic ulcer treatments.

The vaccine, if successful, could severely hit the multi-million-dollar sales of the world's two bestselling drugs, Glaxo's Zantac and Astra's Losec.

Massachusetts-based Oravax received a US patent for the drug this year and is optimistic it will come to market by 2001. Losec's patents begin to expire in 2000, and Zantac's begin to expire next July.

The company said the vaccine, being developed with Pasteur Mérieux Connaught, a subsidiary of Rhône-Poulenc, the French chemicals and drugs group, neutralises the bacterium helicobacter pylori. The bacterium causes most peptic ulcers, as well as gastric reflux, chronic heartburn and even bad breath and acne. The bacterium has also been linked with stomach cancer. About 50 per cent of the world's population carries the bacterium.

Mr Lance Gordon, Oravax president, said the agent would cure and prevent ulcers. He predicted it would supersede Losec in the peptic ulcer market, which accounts for 5-10 per cent of Losec's sales. "It will come close to eliminating the need for peptic ulcer management," he said.

Data on the vaccine will be presented at a conference in Copenhagen next week. Astra's Losec generated first half sales of $2.16bn and Glaxo's Zantac $1.63bn. Astra's shares fell SKr2.50 yesterday to SKr294.50 while Glaxo's shares fell 31p in London to 990p, though this was also due to a downgrade of its stock by Lehman Brothers. Astra, of Sweden, insisted the vaccine would have no foreseeable impact on Losec, although it conceded there might be long-term implications. The vaccine is currently in effectiveness trials.

Astra said it also wanted to participate in efforts to develop a helicobacter vaccine. Yesterday it announced a deal with CSL, an Australian biotechnology company, to collaborate in the research and development of a vaccine.

The Swedish group said CSL had conducted extensive preclinical research in the field and it expected a drug to be ready for trials within a year to 18 months.

Mr Andrew Tivenan, pharmaceuticals analyst at HSBC James Capel in London, said there was a lot to prove before Oravax came "anywhere close to reality".

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Battle for Kremlin intensifies

By Chrystia Freeland in Moscow

Mr Alexander Lebed, the Russian security chief, was the real target of the weekend sacking of the country's flamboyant sports minister, the ousted official said yesterday.

Mr Shamil Tarpishchev, whose role as President Boris Yeltsin's tennis coach had given him a power far greater than his titular position as sports minister, blamed his dismissal on the battle for political control of a country left rudderless by the president's illness.

Mr Tarpishchev was sacked amid a mud-slide of corruption allegations in which he and Gen Alexander Korzhakov, the president's former bodyguard and confidant, were linked to a $40m extortion scam.

The ousted minister responded yesterday with a volley of his own, claiming the dismissal was a witch-hunt against Mr Lebed's allies and suggested that the decree ordering his removal might not have been signed by the president himself.

"The fact that Lebed stated he accepts Korzhakov and will support him was the catalyst for a massive attack on Korzhakov... and his friends," Mr Tarpishchev said. "I consider him [Korzhakov] to by my friend, my chum and... so I became a victim of this struggle."

Mr Tarpishchev said he "had his doubts" about how the presidential decree was signed.Access was "severely restricted" and Mr Yeltsin was only acquainted with things in a "distorted form".

But Mr Yeltsin's press service flatly refuted the charge. A spokesman said he had seen the original decree sacking Mr Tarpishchev and the president had signed it himself on Saturday. Officials at the state prosecutor's office said they had opened an investigation into the extortion allegations but would not name the targets of their probe.

The cross-fire was the latest episode in a struggle between Kremlin hardliners, including Messrs Korzhakov and Tarpishchev, and liberal politicians backing Mr Victor Chernomyrdin, the prime-minister and Mr Anatoly Chubais, head of the presidential administration, currently in the ascendant.

The fight was raging two years ago, but, as the covert race to replace Mr Yeltsin heats up, this old rivalry is becoming more volatile. Police yesterday discovered an explosive device at Rosvoruzhenie, Russia's top arms exporter which is believed to have close links to Mr Korzhakov.

A new impetus appears to be the burgeoning alliance between many of the most prominent figures in the defeated hardline Kremlin faction and Mr Lebed. His popularity and instinctive political flair have made him a favourite to succeed Mr Yeltsin, but many of the administration's most powerful liberals appear hostile to the unpredictable outsider. Some analysts believe that the regional connections and financial resources of the hardliners could make Mr Lebed unbeatable.

Mr Tarpishchev hinted that the war for the Kremlin could become even bloodier if Mr Korzhakov decides to reveal the information he gathered as head of the powerful Kremlin security apparatus.

"As long as the president is alive he [Korzhakov] will do nothing bad for the president's circle," Mr Tarpishchev said. But he suggested "the truth" could come out as early as next month.

Now the game is discredit your opponent, writes **John Thornhill**

Russia's politics turn personal

This has been a week of treats for Russia's many conspiracy theorists.

For days, Moscow's air has been thick with allegations of high political intrigue, extortion, and assassination attempts directed at some of President Boris Yeltsin's former senior aides.

In turn, these figures, now ditched from office, have warned they can defend themselves by releasing *kompromat* (compromising materials) on their political rivals.

Yet this lurid public squabbling may turn out to be a foretaste of even more bitter struggles to come as Russia's politicians join the battle to succeed the ailing President Yeltsin in all but name.

Mr Victor Chernomyrdin, the prime minister, Mr Alexander Lebed, the national security chief, and Mr Yuri Luzhkov, Moscow's mayor, all appear intent on raising their political profile – despite warnings from the Kremlin that they have made a false start and that President Yeltsin will recover politically as well as physically.

With the Communist threat apparently neutralised after the presidential election in July, future battles are likely to revolve around personalities rather than ideologies. The game then will be to discredit your opponents.

As the Izvestiya newspaper's front-page headline lamented yesterday: "Kompromat is the weapon of Russia's new politicians."

The latest scandals erupted on Sunday when Mr Boris Fyodorov, the disgraced former president of the National Sports Fund and survivor of an assassination attempt, was given time on national television to accuse senior Kremlin officials of trying to extort $40m from his fund.

The chief targets of his attack were Mr Alexander Korzhakov and Mr Shamil Tarpishchev, who until recently were counted among the president's closest friends and advisers.

Mr Korzhakov spent more than 10 years as Mr Yeltsin's bodyguard, confidant, and bath-house companion while Mr Tarpishchev was the sports minister and personal tennis coach to the president. They both exercised influence far beyond their formal responsibilities, dabbling in Kremlin politics and undermining liberal aides.

Mr Fyodorov, whose National Sports Fund earned billions of dollars in profits from its concessions to import alcohol and tobacco tax-free, is hardly the most impartial witness and Mr Korzhakov has flatly denied the charge. The prosecutor general, however, has taken it seriously enough to have launched an investigation.

But some Russian political observers suggest the allegations against Mr Korzhakov are not just about the settling of old scores between Mr Yeltsin's former entourage. They also reflect the current power battle between presidential aspirants.

They suggest part of the reason for the latest round of mud-slinging is the extraordinary political alliance that seems to be developing between Mr Korzhakov and Mr Alexander Lebed, the national security chief who has trumpeted his ambitions to become president.

Mr Lebed appears to be backing Mr Korzhakov's campaign to return to political life by standing as a parliamentary candidate in the Tula constituency, which Mr Lebed was forced to vacate after entering the Kremlin.

Lebed, top, Chernomyrdin, left, and Luzhkov: intent on raising their profiles

The two men are strange bedfellows. Mr Lebed's electoral platform in June was founded on his reputation as an "outsider" who would cleanse the Kremlin of corrupt insiders. Yet it would be difficult to find a figure who was more "inside" than Mr Korzhakov in Mr Yeltsin's first term.

In his column in Izvestiya, Mr Otto Latsis, the respected political columnist, suggested Mr Lebed's rivals, at least, could see a clear political logic for this alliance.

If Mr Lebed is to mount a presidential bid then he would need three things: popularity, nationwide organisational support, and money, Mr Latsis wrote.

Mr Lebed's peace-making activities in Chechnya had ensured his popularity. His revival of links with two minor political parties, the Democratic party and the Congress of Russian Communities (KRO), also gave him a skeleton of a national organisation. But the weak link in his campaign was lack of finance.

Enter Mr Korzhakov.

"If the rumours are true that Korzhakov did not leave power with empty hands and has preserved links with powerful financial structures then the unlikely alliance between Lebed and Korzhakov becomes fully explicable," Mr Latsis wrote.

On this view of the world. Mr Lebed's rivals are trying to undermine his political ambitions by denying him sources of campaign finance.

This dirty war, if that is what it is, has come as a dispiriting experience for those liberals, such as Mr Latsis, who held out high hopes at the birth of Russian democracy in 1991.

Mr Latsis concluded it was not clear whose victory in this subterranean battle would most benefit Russia. "But what is manifestly not in the interests of our society is such an open introduction of dirty tricks into public politics."

Brussels lambasts EU over poor state of industry

By Emma Tucker in Brussels

The high costs of labour, energy, telecommunications and transport are dragging down industry in the European Union and hampering job creation, says a Commission report presented yesterday.

The study, which criticises EU governments for not doing enough to improve conditions for industry, says the most alarming structural weaknesses include a continuously rising unemployment rate and a slide in the Union's share of export markets.

The report points out that since 1960, the EU has managed to create only 10m jobs – half those of Japan and less than a fifth of those created in the US. The Union's share of OECD export markets, excluding trade within the single market, has been falling since 1987, because of a weak presence in rapidly expanding markets such as those of the Asian "tigers". Net profit margins and returns on investment are also inadequate, says the report.

"The situation of European industry, even if it has improved somewhat, is not satisfactory when compared to Japan and the US," said Mr Martin Bangemann, the industry commissioner.

The report indicates that efforts made by EU governments to restructure their economies in the face of mounting competition fall short of what is required. In particular, it criticises the high cost of key inputs such as labour and energy.

For example, the price of long-distance telephone calls is substantially lower in the US than in Europe and unlimited local calls are usually included in the fixed line rental fee – a situation that has greatly encouraged the development of services on the Internet.

Against this, EU-wide efforts to liberalise key sectors such as telecommunications, transport and energy have had mixed successes. Most of the 15 countries are on course to open their telecoms sectors to full competition by 1998, but a recent agreement on energy liberalisation will lead to only a partial and cautious opening of the market.

Mr Bangemann said the launch of economic and monetary union in 1999 would do much to improve competitiveness, and declared it was false to see the budget discipline required as a precondition for Emu as a brake on economic growth.

"Our inflation rate has never been as low as it is today," he said, adding that Emu would do away with currency fluctuations and make it easier for companies to raise investment capital.

Other weaknesses identified by the report include skills and innovation, both of which will be subject – along with the other noted problems – to monitoring in the form of "benchmarking".

Benchmarking will be used to measure European competitiveness against best-practice worldwide. In this way, the Commission hopes to ensure that its policies, and those of the member states, are providing industry with the necessary benefits.

French move to close welfare deficit

By David Buchan in Paris

The French cabinet yesterday approved the first of a new series of annual welfare financing laws designed to put pressure on social security administrators to close the welfare deficit.

The draft 1997 welfare law, aimed at reducing this year's FFr52bn ($10bn) welfare deficit to FFr30bn next year, follows a constitutional amendment earlier this year to give parliament a say in France's huge off-budget welfare spending, estimated at FFr1,232bn next year, almost as large as the central government budget itself.

Social security in France has developed as a series of insurance schemes co-managed by unions and employers who decided what contributions to levy and what benefits to disburse. In recent years, however, the government has had to step in to stem the growing deficit, especially on health.

The government also argues that MPs deserve a say in welfare because the taxes they vote are being increasingly used to supplement the payroll charges agreed by unions and employers.

The draft law, however, gives MPs a poor deal, with no direct right to cut welfare spending and merely the dubious privilege of voting more taxes if the social security deficit increases. The government backed down from giving MPs more power, after some unions complained of "a state takeover" of the welfare system that has traditionally been part of their own power-base and patronage.

The law, for example, sets a ceiling of 1.7 per cent on the increase in medical spending next year to a total of FFr600bn. If doctors and hospitals exceed this, MPs will not be able to impose financial penalties on them; such sanctions are for the health insurance authority to decide in negotiations with the medical profession which started yesterday.

In the event of an increased welfare deficit, MPs will merely be expected to vote more taxes to plug the gap.

As it is, the 1997 reduction in the welfare deficit is mainly to come from a 17 per cent increase in alcohol tax and a 9 per cent rise in tobacco tax.

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Austria heads for historic change

Sunday's polls could weaken Social Democrats' dominance, writes **Eric Frey**

The 25-year dominance of Austrian politics by the Social Democrats could be weakened in Sunday's elections for the European parliament and Vienna municipal council.

According to the Daily Standard yesterday, the People's party has overtaken its senior coalition partner with 30-31 per cent in a public opinion poll for the European contest.

If the People's Party can hold on to this lead, it will surpass the Social Democrats for the first time since 1970 in a national ballot. In the last parliamentary election in December, the Social Democrats took 38 per cent and the People's Party 28 per cent.

The far-right Freedom party, which is opposed to European Union membership, is stuck at 23 per cent in the poll, little change from the 22 per cent last December. However, 45 per cent of all voters are still undecided.

The strength of the People's party is a change from the summer when polls showed it falling into third place. Its good fortunes are mostly due to the popularity of its lead European candidate, Ms Ursula Stenzel, a former television presenter. She has been particularly able to articulate the importance of European issues.

In contrast, the lead candidate for the Social Democrats, Mr Hannes Swoboda, suffers from low name-recognition and a lack of charisma. Also, by making jobs their central campaign issue, the Social Democrats chose an area in which Brussels has little influence.

> In Vienna the Social Democrats seem certain to lose their majority

In Vienna, the Social Democrats are almost certain to lose their majority on the city's municipal council for the first time in 70 years.

Some surveys still give them a big lead over the other parties, while their chairman, Mr Michael Häupl, is confident he will stay on as mayor with the help of a coalition partner.

According to a poll in today's Daily Standard, the Social Democratic share of votes will fall from 48 per cent to 42 per cent.

This is due to the advance of the Freedom Party, which is expected to win 25 per cent of the vote through the appeal of its anti-foreigner rhetoric to low-income voters, the loss of young educated voters to the Greens, which are set to move above 10 per cent for the first time, and the Liberal Forum, a moderate splinter from the Freedom party.

The Liberal Forum, which is running in Vienna for the first time, was hurt by the resignation of its lead candidate because of charges of racism. Still, the party should take 7-8 per cent and cut into the support of Social Democrats and People's party.

The People's party should fall to 15 per cent but a poor performance need not stop it gaining a share of power.

Mr Häupl wants them as a partner because he dislikes the leader of the Greens, Mr Peter Pilz, and has ruled out any dealings with the Freedom party.

EUROPEAN NEWS DIGEST

Doubt over BSE forecast

The EU's leading expert on mad cow disease yesterday cast doubt on predictions that the disease would die out of its own accord by 2001.

Prof Charles Weissmann of Zurich University also warned that it might take 10 years to establish whether the disease could be transmitted to man.

He urged the EU to pursue 17 research priorities on bovine spongiform encephalopathy (BSE) and related diseases, the most pressing of which was to establish whether BSE could be passed to man. Professor Weissmann was chosen by the European Commission six months ago to head a team of 20 BSE experts charged with identifying BSE research priorities.

Professor Weissmann said the tests on primates could take "10 years or more" since the incubation period for the disease varied from two to 30 years. He also questioned a report by Oxford University in Britain that BSE would die out within five years and that a large cull of cattle at risk from the disease was therefore unnecessary. *Caroline Southey, Brussels*

French plan takeover reform

The French government is considering changes to the country's corporate takeover laws to bring them more in line with the practice in Anglo-Saxon countries.

Mr Jean Arthuis, economics and finance minister, said yesterday that he had opened consultations on the idea of extending the maximum duration of takeovers, which is currently just 20 days.

He also said he was interested in requiring investors – like their UK and US counterparts – to make a declaration of their intentions once they had acquired a certain threshold of shares in the target company.

Speaking at a reception for the 16 board members of the new Conseil des Marchés Financiers, the country's newly-created investment authority, he stressed that the existing French takeover rules were generally clear and accepted, but said he wanted the body to discuss possible changes. *Andrew Jack, Paris*

Spanish shipyards threatened

A fresh confrontation is building up over Spain's nationalised shipyards, a year after violent demonstrations to fend off their closures. The state-owned company Astilleros Españoles warned yesterday that tougher measures would be needed to put its viability plan back on track. It said if it failed to fulfil the plan "market conditions will make it impossible for the company to carry on".

Spain is awaiting European Commission approval for Pta90bn ($700m) of government aid to back the plan, designed to bring the shipyards out of loss in 1998. Last year, a campaign backed by local PP mayors in Seville and Cadiz forced the previous Socialist government to scale back job cuts from 5,200 to 3,900 among the 10,000 shipyard workers. The renewed threat follows a forecast Pta30.6bn loss this year, 50 per cent more than planned. *David White, Madrid*

VW-Opel case opens

Volkswagen's defamation suit against Opel, its US-owned rival, will be decided at the end of this month, a Frankfurt judge said yesterday. VW, Germany's biggest car manufacturer, is suing Opel and General Motors, its parent, over statements which it alleges were part of a systematic campaign to harm its reputation.

The case opened in Frankfurt yesterday, with statements from both sides. The judge said the court's ruling on VW's DM10m ($6.70m) damages claim – which Opel rejects – would be announced on October 30.

The allegations followed the launch by GM and Opel in March of a US civil suit accusing VW and Mr Ferdinand Piëch, its chairman, of fraud. *Andrew Fisher, Frankfurt*

Alitalia inquiry confirmed

The European Commission yesterday confirmed it had started an investigation into restructuring plans at Alitalia, Italy's state-owned airline, because of concerns that a capital injection of L3,000bn ($1.9bn) broke EU state aid rules. Half of the aid is to come from Iri, the state holding company which owns 90 per cent of Alitalia.

The Commission said it was unconvinced by arguments put forward by the Italian authorities that the capital injection was not an illegal subsidy because Iri acted as any private investor would in the same circumstances. The Commission pointed out that the private investors which hold 10 per cent of Alitalia were not prepared to follow Iri's lead. *Emma Tucker, Brussels*

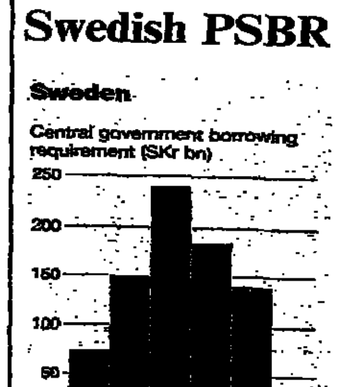
La Reunion corruption probe

Two senior employees of French conglomerate Compagnie Generale des Eaux admitted in court yesterday that their company had funded elected officials on the French island of La Reunion. The trial focuses on alleged corruption in a water deal on the island involving the water, building and telecommunications giant and the Socialist town hall at Saint-Denis.

Former mayor Mr Gilbert Annette has acknowledged using CGE funds to pay back debts incurred during an election campaign and to meet urgent social needs in the town. Former CGE chairman Mr Guy Dejouany was cleared of suspicion in July. *Reuter, Reunion Island*

ECONOMIC WATCH

Swedish PSBR estimate cut



Sweden's National Debt Office yesterday cut its estimate of government borrowing this year from SKr40-SKr50bn ($6bn-$7.5bn) to SKr20-SKr30bn. It attributed the downgrade to higher state revenues, lower net lending and a SKr5bn share buy-back by Nordbanken from the government. It said it would scale back its auctions of nominal treasury bonds from SKr3bn to SKr2bn, to take effect from mid-November.

Swedish bond yields fell sharply yesterday after the central bank said it saw continued room for interest rate reductions. Yields on long-term bonds eased 18 basis points to 7.04 per cent and one-year bond rates fell 43 points to 4.66 per cent. The declines followed remarks by Mr Urban Bäckström, central bank governor, that low underlying inflation would leave "some room... for cuts in the repo rate [the bank's key money market rate]". Mr Bäckström said below-potential economic growth in coming years would result in a continued output gap. This meant the central bank's long-term inflation target of 2 per cent was not in jeopardy, he said. The repo rate has been cut by 3.96 per cent since January. *Greg McIvor, Stockholm*

■ Spanish industrial output rose by 4 per cent in July from a year earlier in contrast to a 5.7 per cent year-on-year fall in June, the National Statistics Institute said. Industrial output had declined by an average 1.8 per cent in the seven months to July from a year earlier, it said.

NEWS: EUROPE

German unions face up to tough battle in 1997 wage round

Employers balk at the price of pay

The pay of 3m employees in 8,000 engineering companies comes under discussion today as German labour unions and employers meet to kick off the 1997 wage round.

Mr Werner Stumpfe, president of Gesamtmetall, the engineering employers, flagged the importance of the talks, claiming they are about "whether our wage agreements will be compatible with the world market, or whether in the next four to five years we will no longer have wage contracts in the engineering industry that have any meaning". His criticisms reflect acute concern about Germany's wage costs which are among the highest in the world.

The two sides are meeting at an unusually tense time, marred by strikes over proposed cuts to sick pay by 20 per cent and forecasts by employers, of 130,000 job losses in the sector by Christmas.

Mr Stumpfe even said he was "not optimistic" that they could reach agreement at all.

Mr Dieter Hundt, the president-designate of BDA, the federation of German employers, and Mr Hans-Olaf Henkel, the outspoken president of BDI, the federation of German industry, have both added their concerns over German competitiveness.

At stake is not just a percentage rise in wages and a list of work rules and benefits. The employers are also beginning to question the system itself, under which each industrial sector agrees its own regional wage deals. This system is one of the pillar's of Germany's system of industrial relations.

Gesamtmetall is still reeling from the 1995 wage round, when Bavarian engineering employers accepted a deal leading to an 11 per cent rise in wage costs over two years.

The deal which triggered a row within Gesamtmetall and its regional affiliates, led a number of companies to leave the federation in protest. Others are licking their wounds deciding to wait and see whether the negotiators can do better this time. Gesamtmetall is under heavy pressure to compensate for last year's disaster. It wants a zero increase in wage costs, made up of a wage increase in line with inflation and offsetting cuts in sick pay and fringe benefits. It also asks for opt-out clauses for companies in financial difficulties.

IG Metall, the engineering union, is asking for 4.5 to 5 per cent, but would accept a trade-off where wages would rise by 2 per cent, with the rest of the money to be invested into new jobs.

Mr Klaus Zwickel, president of IG Metall, said the wage round would determine whether Germany became "a banana republic", where the relations between employers and employees were determined by brute market forces and not by a binding set of rules.

"Whoever wants to get rid of regional industry-wide labour contracts should not be surprised if individual companies come under pressure," he warned.

In the recent row over sick pay IG Metall reminded employers of its power, when it forced Daimler-Benz, Germany's largest company, into an embarrassing climbdown through informal walk out strikes at some of Daimler's car plants.

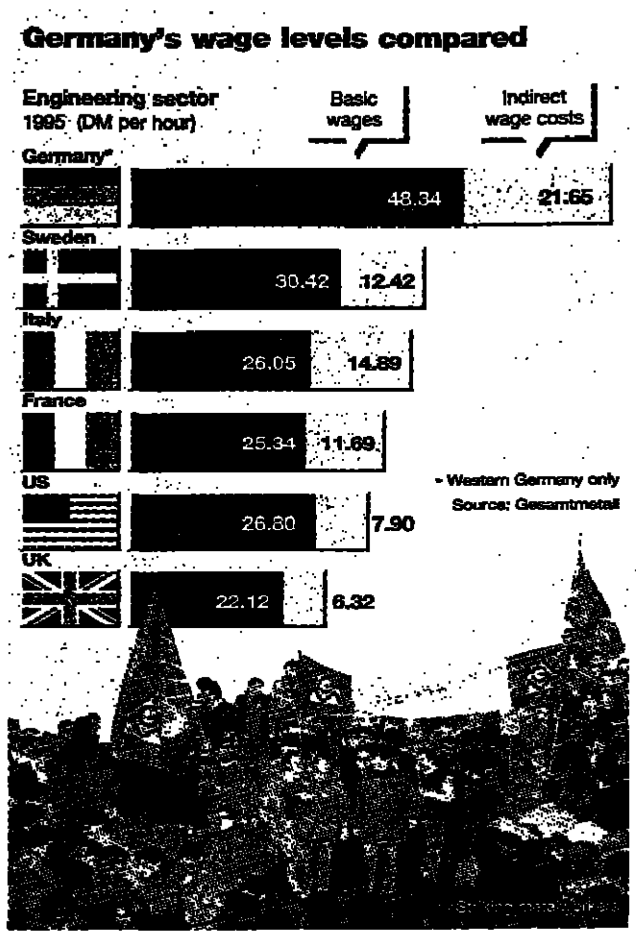
Smaller companies are even more vulnerable to pressure by the world largest trade union, a threat still widely seen as the main reason for a company to become a member of Gesamtmetall. But Mr Stumpfe and other employer representatives fear that the price of membership in terms of wage costs could outweigh the advantages, especially at a time when companies are beginning to shift production outside Germany.

Gesamtmetall wants to make the system more palatable through opt-out clauses to relieve companies in financial trouble from the strictures of the labour contract. However, IG Metall has so far opposed opt-out clauses in principle.

One of the few positive signals is the continued personal respect the two opponents still have for each other. An example of their deal-making instincts came this week when they agreed a temporary truce in the row over sick pay by deferring the highly controversial issue to the wage round.

But Mr Stumpfe knows from past experience that a deal with IG Metall is usually perceived as a victory for IG Metall. This perception is especially common among Gesamtmetall's own members, and the reason why many are having second thoughts.

Wolfgang Münchau



Bonn's goal for budget under threat

By Peter Norman in Bonn

The German government's hope of keeping the federal budget deficit below DM70bn ($46bn) this year is under threat because privatisation proceeds are likely to fall far below the DM9bn envisaged for this year.

In a report to the budget committee of the Bundestag, the lower house of parliament, the finance ministry admitted yesterday there was little chance that planned sales of stakes in Lufthansa, the national airline, Postbank, the postal savings bank, a Frankfurt-based property company and Autobahn Tank & Rast, which runs motorway services, would be completed by the end of this year.

Mr Karl Diller, budget spokesman of the opposition Social Democrat party, who publicised the report, said the government would be left without DM1.7bn from the Lufthansa sale and DM3.1bn the sale of just under 75 per cent of Postbank. Problems surrounding the planned sale of 72.65 per cent of the Frankfurt housing company, will also leave a hole in the expected DM4bn from the sale of property companies.

The sales detailed by Mr Diller are held up by disputes which the finance ministry has no power to settle. The sale of Bonn's 36 per cent holding in Lufthansa can only go ahead if it can be guaranteed that 51 per cent of the airline stays in German hands. However, the draft law to achieve this has run into problems with the European Commission.

The Postbank sale depends on agreement by the post office, to let the bank use post office counters to provide its services.

The sale of the property company cannot go ahead because the minority shareholders – Hesse and Frankfurt – have yet to finalise their positions.

The finance ministry said it was too soon to say whether the federal government would have to borrow more than DM70bn this year because the deficit level would depend on factors besides privatisation.

There is one consolation for Mr Theo Waigel, the finance minister. If the privatisations go through in 1997, they will help reduce general government debt next year. That might enable Germany to meet the Maastricht treaty criterion limiting debt to no more that 60 per cent of gross domestic product and so fulfil all the conditions to become a founder member of EU economic and monetary union.

Aznar assailed on 'dirty war'

By Tom Burns in Madrid

Socialist MPs yesterday accused Mr José Mariá Aznar, Spain's prime minister, of attempting to muzzle his predecessor, Mr Felipe González. They say he is doing this by letting senior members of his ruling centre-right Popular party publicly link the Socialist leader with an undercover war against suspected Basque separatists that left 28 dead or injured in the 1980s.

Facing hostile questioning from Socialist party deputies, Mr Aznar steered a middle course in what has become the most inflammatory issue in domestic politics. He did not disown members of his government who have levelled charges against Mr González but did not endorse them.

Warning the Socialist party to "be careful about talking about certain things", Mr Aznar said he preferred to look to the future rather than the past. He said the only thing clear in the affair was that his government bore no responsibility for organising and funding an undercover war.

The careful balancing act left the "dirty war" issue open with suspicion remaining over the former prime minister. Several prominent members of the previous administration have been indicted by judges probing the undercover war and the Supreme Court is due to decide before the end of this year on whether to question Mr González over GAL, the shadowy organisation that fought Eta, the Basque separatist group.

Mr González, who lost power to Mr Aznar in the general elections last March after nearly 14 years in power, recently caused a stir when he said state terrorism had not taken place while he was in office because the victims claimed by GAL were insignificant when compared with the 900 victims claimed by Eta.

Spanish PM faces twin challenge on regional funding

By David White in Madrid

Barely two weeks after settling a new regional funding scheme, Spain's centre-right government faces challenges to its plan from two diametrically opposite quarters – its Socialist enemies in poor Extremadura and its regionalist allies in wealthy Catalonia.

An unprecedented vote yesterday by Extremadura's regional parliament to stage a referendum on the issue followed a warning by Mr Jordi Pujol, the Catalan president, that he would be seeking a more radical change for his region once the new five-year scheme had run its course.

The new arrangement, under which regions will automatically control 30 per cent of the income tax revenues collected on their territories, was drawn up largely to satisfy the demands of Mr Pujol's party, whose votes are needed to keep the Popular party government in power.

Mr Pujol was dissatisfied with the way the previous scheme, based on a 15 per cent tax allocation alongside other transfers from central government, and subject to fixed ceilings, worked out for Catalonia.

To avoid a revolt by some PP regional leaders, the government had to build into its reform a system of guaranteed minimums for the poorer regions which have lower tax revenues. However, Socialist-governed Andalucia, Castilla-La Mancha and Extremadura have so far rejected the new arrangement.

Mr José María Aznar, prime minister, has accused the Socialists of jeopardising these regions' economic interests in the attempt to score political points, and has argued that all regions stand to gain under the new funding rules.

Mr Juan Carlos Rodríguez Ibarra, Socialist president of Extremadura, won backing yesterday from Communists and regionalists to call a referendum. He has consistently opposed a system based on a set share of taxes, seeking more solidarity between regions.

Mr Pujol said he recognised that the new system marked a "political success" but said Catalonia should go further and eventually seek full control of its taxes. This would mean a "fiscal pact" such as the arrangement granted to the smaller regions of the Basque country and Navarre in recognition of ancient privileges.

The timing of the proposal highlighted Mr Pujol's desire to keep his distance from the PP government, just as his party is set to nudge the government's 1997 budget through parliament later this month.

A cartoon in the daily El Mundo yesterday put the situation succinctly. "The Pope can govern without his appendix...", it said, "but not the PP".

Defence industry halts fall in arms sales

Mideast and Asian buyers offset lower Nato demand

By Bruce Clark, Diplomatic Correspondent

The plunge in international arms sales that followed the end of the cold war has been stopped, according to the International Institute for Strategic Studies.

In its 1996-97 edition of the Military Balance, the IISS reports that world deliveries of conventional weapons rose slightly last year to $30.2bn from $29.6bn the previous year.

The total turnover is still less than half the level reached in the late 1980s when the US-Soviet arms race was still in full swing. But, more recently, the report notes, "decline in demand from Nato countries has been offset by sustained arms purchasing in the Middle East and several Asian countries". The US retained its place as by far the biggest supplier of conventional arms in the world, but the value of its sales, at constant prices, slipped to $13.3bn in 1995 from $15.3bn in 1994.

Britain and France, in second and third place, both increased their sales last year: from $4.3bn to $4.8bn, and from $3bn to $3.8bn respectively.

Defence companies in all western countries have been competing vigorously to find new export markets to make up for the drop in home sales as a result of shrinking military budgets.

Russia, whose industry is struggling to recover from the effects of the Soviet collapse, sold $3bn worth of conventional weapons last year, a sharp increase on its low point of $1.7bn the previous year. Under the IISS system of calculation, the notional value of the Soviet Union's arms deliveries to its satellite states reached a peak of $29bn in 1987. But unlike Russia's more recent arms deals, the Communist regime's arms deliveries were made on very soft terms which brought little financial benefit.

The IISS presents a less dramatic picture of Moscow's arms export performance than a recent report by the US Congressional Research Service, which said Russia had overtaken the US, UK and France as the main supplier of weapons to the developing world.

Using a different system of calculation, the congressional report estimated Russian arms deliveries to developing countries in 1995 at $6bn, with China as the biggest customer, compared to $3.8bn for the US. But the IISS also acknowledges "signs of recovery" in the Russian defence industry which "retains substantial trading advantages and maintains efficient levels of economic output".

The Russian arms industry is building up surplus stock as the country's armed forces decline to take delivery of weapons they have ordered but can no longer afford to pay for, the institute notes.

"For all its lost power and status, Russia remains the dominant supplier of the former Soviet republics, excluding the Baltic states, and continues to supply major weapons systems to Hungary, Slovakia and Bulgaria," it adds.

In its comments on the state of the Russian armed forces, the IISS reports minimal progress towards reform in the Russian land forces, with training and weapons maintenance falling well short of the standards needed for large mobile operations. But the Russian navy, despite severe problems, has increased its activities in home waters and beyond. A naval exercise in April 1996 involving more than 70 ships was the biggest for 10 years, the report says.

In east Asia, defence spending continued to increase this year after jumping by more than a third since 1985 and almost a quarter since 1992. However, the rate of increase had slowed to half the level of four years ago.

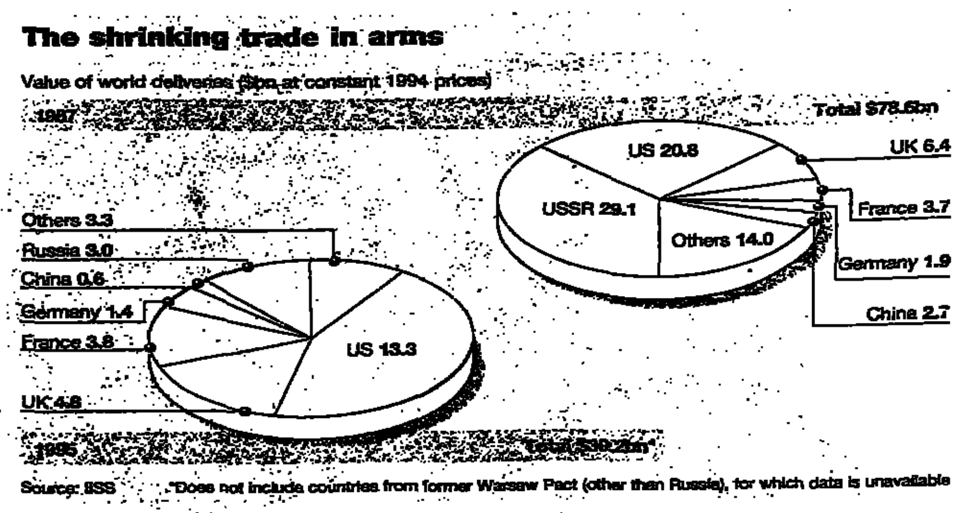
"East Asia now accounts for around one-fifth of the global arms trade . . . and that proportion is likely to increase as the Nato and Middle East arms markets decline," the IISS says.

Despite the increase in the armed forces and defence industries of several east Asian countries, the IISS says the biggest recent development in the region's security is the reaffirmation by the US of its commitment to support its allies.

The Military Balance: International Institute for Strategic Studies, 23 Tavistock Street, London WC2E 7NQ

The shrinking trade in arms

Value of world deliveries ($bn at constant 1994 prices)



Source: IISS *Does not include countries from former Warsaw Pact (other than Russia), for which data is unavailable

Rabbani takes softer line on Taliban

Afghan president Burhanuddin Rabbani pleaded yesterday for negotiation, not confrontation, with insurgent Taliban forces which drove him and his government from Kabul and now control two-thirds of the country, Reuter reports from Mazar-i-Sharif, Afghanistan.

Speaking to reporters just west of Mazar-i-Sharif in northern Afghanistan, Mr Rabbani sounded almost meek by comparison with remarks to reporters in Pol-e-Khomri on Monday when he vowed to take the offensive against the Taliban.

"We do not support more war. Everything possible should be achieved through negotiation," the Afghan president said.

Mr Rabbani arrived in Mazar-i-Sharif on Tuesday for his first meeting in three years with Uzbek strongman General Abdul Rashid Dostum, whose military and political support is needed to stem the Taliban tide now threatening northern Afghanistan.

The president said his aim was to form a broad-based and united front against the Taliban and that he had invited all factions to join him in an effort to reunify the country.

"Our first aim is restore security to the country and to stop the fighting. We are trying to create understanding and communication among all the ethnic groups," Mr Rabbani said.

"This has been told to the Taliban too. If they don't agree then maybe the front will have to make some military and political decisions too."

It remained unclear yesterday whether Mr Rabbani had invited Gen Dostum to join the government or whether the Uzbek general would accept if invited.

Gen Dostum left the Rabbani government in 1994 after falling out with Mr Ahmad Shah Masood, the Afghan defence minister.

Mr Masood, who withdrew from Kabul with Mr Rabbani when it fell to Taliban two weeks ago, is among the other factional leaders expected to arrive in Mazar-i-Sharif this week to see if an anti-Taliban alliance can be formed.

Mr Rabbani rejected any notion of a federation with Taliban whereby Afghanistan would comprise a northern and a southern state inside its internationally recognised borders.

He said the goal should be a united Afghanistan, with no divisions, for the sake of the country and its neighbours.

"The breaking up of Afghanistan could also lead to the breaking up of Pakistan," he said.

Mr Rabbani said Taliban advances into the mouth of the Panshjer Valley had been stopped and the insurgents had also lost in fighting south of the Salang Pass.

"Taliban have been defeated fully there and they have lost a lot of men," he said.

Higher oil prices boost Middle East purchases

By Roula Khalaf in London

With higher oil prices easing budgetary pressures, Iraq flexing its muscles and Iran perceived as a major threat, Middle East states will continue to lay out vast sums on arms purchases.

After a sharp rise in arms purchases after the 1991 Gulf war, budget deficits began to hit Gulf countries and arms deals almost dried up.

This year however defence spending has started to pick up again, according to the Military Balance, published yesterday by the International Institute for Strategic Studies (IISS).

The Middle East and North Africa still represent the highest per capita defence spending area, with Saudi Arabia, the largest international purchaser of weapons, accounting for about a *third of the region's $43bn a year* outlay.

The Saudi defence budget for 1996 will probably exceed last year's $13bn to accommodate the scheduled delivery of combat and training aircraft this year and *payments for equipment already* delivered.

Some economists in the kingdom have predicted that the extra oil revenue could be used to accelerate payment on military and civil aviation programmes.

The US is supplying 72 F-15 planes, delivering one a month since late last year. They will be followed by 48 Tornado strike aircraft and 20 Hawk advanced trainers from the UK, to be delivered within the next three years. Saudi Arabia is also looking to replace its old F-5 fighters in the next few years and to add another armoured brigade to its ground forces.

Elsewhere in the Gulf, Kuwait is in the final phases of the weapons-buying programme begun after the Gulf war.

In the United Arab Emirates, France, the US and the UK are *competing to share an estimated* $6bn contract for 80 long-range, multi-purpose fighter bombers. Reports also emerged yesterday that the UAE had issued tenders for $2bn of frigates, ships and fast patrol boats.

US-made armoured personnel carriers being inspected after they were unloaded at Beirut yesterday. Middle East states are stepping up arms imports this year AP

Attention has focused in the last month on Iraq's military capabilities, following its incursion into the northern Kurdish enclave.

The IISS notes that United Nations inspectors have accused Iraq of resuming clandestine purchases of arms in violation of UN resolutions, that Iraq was still concealing biological and chemical weapons materials and data, and was still hiding ballistic missiles. The IISS said it saw no prospect of UN sanctions being lifted as long as Mr Saddam Hussein remained in power.

IISS defence analysts estimate that the Iraq's army has about a third of the 1m men under arms at the end of the Gulf war. Main battle tanks are down to about half the 5,500 Iraq had during the war and many of the remaining tanks may not be operational. The only force which retains military capability is the six divisions of the Republican Guards which were used last month in northern Iraq. Iraq's air defence capabilities are also questioned by IISS analysts, who believe radar systems may not be fully operational.

Nobel prize for discovery of special molecule

By Clive Cookson, Science Editor

One British and two American scientists shared the 1996 Nobel Chemistry Prize yesterday for discovering the football-shaped fullerene molecule.

Sir Harold Kroto of Sussex University in England and *Professors Robert Curl and* Richard Smalley of Rice University in Texas confirmed the beautiful structure of fullerene during an intensive 11-day experiment in 1985. It has 60 carbon atoms arranged in a symmetrical cage.

The three scientists named the molecule after the late Buckminster Fuller, the futuristic US architect who had designed geodesic domes with a similar shape.

Although the discovery seemed at first to be mainly of academic and aesthetic interest, it quickly stimulated a huge new field of *research as scientists began* to explore applications in many different fields.

More than 6,000 scientific papers have been published about fullerene science since 1990, when the molecule was first produced in large quantities.

There is now a long list of potential uses for fullerene and materials derived from it: high-temperature superconductors; drugs; ultra-strong fibres; super-slippery lubricants; lightweight magnets; electronic superconductors; and many others. But none has yet reached the market.

Sir Harold's share in the $1.12m chemistry prize was the UK's first Nobel science award for eight years. It came as a relief to the UK scientific establishment, which was growing increasingly concerned about the country's failure to win any Nobel science prizes since Sir James Black won the 1988 medicine prize for his drug discoveries.

The last UK winner of the chemistry prize was Sir Aaron Klug in 1982. Sir Aaron, now president of the Royal Society, yesterday congratulated Sir Harold on the award "which we have been expecting for some time".

Both Sir Harold and Sir Aaron said the fullerene story showed the importance of funding curiosity-driven science.

The project originated with research into molecules in interstellar space.

Sir Aaron predicted that some other recent discoveries by UK scientists would soon be recognised by the Royal Swedish Academy of Sciences, which chooses Nobel laureates.

But he said the expansion of scientific research elsewhere in the world *meant that the UK would* never again be able to win Nobel science prizes at an average rate of one per year, as it had for four decades after the second world war.

● Three US scientists – David Lee, Douglas Osheroff and Robert Richardson – won the 1996 Nobel Physics Prize. The Royal Swedish Academy of Sciences said the prize was awarded for their "discovery of superfluidity in helium-3", a breakthrough in low-temperature physics made in the early 1970s at Cornell University in New York.

Professors Lee and Richardson still teach at Cornell. Prof Osheroff is now at Stanford University, California.

Each Nobel prize this year is worth $1.12m. The money is shared between the winners.

Wrangles slow state sell-offs in Morocco

By Roula Khalaf

Morocco's privatisation ministry is fighting obstruction from other government departments in its campaign to speed up the sale of state assets. Proposals it put forward last spring have yet to receive cabinet approval.

With Egypt accelerating its own plans and emerging as the main magnet for international portfolio funds destined for the Middle East and North Africa, investors have become increasingly frustrated by delays in Morocco, which has one of the region's largest privatisation programmes.

It has also been one of the most innovative. In the past year, the privatisation ministry has issued nearly Dh1.8bn ($200m) in privatisation bonds which could be exchanged for shares in companies sold by the state.

But, in the first half of this year, the number of companies privatised fell some way below target. Although the government raised close to Dh3bn (still short of the Dh4bn goal), some Dh1bn of privatisation bonds remain outstanding and are being serviced by the government. Out of 112 companies on the privatisation list, only 45 have been sold. Fertima, a fertiliser company which the government tried to sell in 1994, will go on the market again next week.

The government has set a target of Dh5bn for 1996-1997. But Mr Abderrahmanr Saaidi, privatisation minister, has said he will meet it only if institutional constraints are lifted.

First, he wants the evaluation committee, the independent body which determines the minimum price at which assets can be sold, to set an indicative rather than a minimum price.

"Today, investors don't even bid a little bit lower because they know their bids will not be taken into consideration," a ministry official said. "This means we cannot even find out what the market price is." Some *20 privatisations have failed* because investors deemed the evaluation committee's prices too high.

Secondly, the ministry wants to keep some of the revenues raised as an advance on its costs, a demand which pits it against the finance ministry. Privatisation officials said they recently discovered they could not afford to notarise a document because they had not received enough funding from the finance ministry.

Last year, the World Bank warned Morocco about excessive bureaucracy. It pointed a finger particularly at the finance ministry, which has its own financial controllers in every ministry who have to sign for every item spent.

Rivalry among ministries and rigid rules have already undermined attempts to supply the Casablanca stock exchange with privatisation issues. For example, several companies owned by the social security fund could be privatised on the bourse. However, the privatisation ministry has little incentive *to spend time* preparing for their sale because it is forced to hand the money raised back to the fund.

INTERNATIONAL NEWS DIGEST

Algerian death toll put at 34

Moslem guerrillas killed 34 people, including 20 bus passengers, in the Algerian Saharan town of Laghouat, newspapers said yesterday. The official death toll given earlier by security forces was nine.

The ambush, one of the worst in nearly five years' violence, occurred on Monday after a fake security checkpoint was set up south of the town, near a turnoff for Hassi R'mel, Algeria's biggest gas field. Many foreign energy experts work in the area, one of the "no-go" zones for which an official pass is needed. *Reuter, Paris*

Egypt and IMF 'agree pact'

Egypt and the International Monetary Fund will tomorrow sign a new standby credit agreement that will persuade international creditors to scrap $4bn of Egypt's external debt, government newspapers said yesterday. Egypt last week cut tariff rates by up to 25 per cent, which economists said was the last of the Fund's preconditions for the deal. The newspapers quoted public enterprise minister Mr Atef Obeid as saying IMF approval was "wholehearted".

"The heads of the IMF and World Bank expressed their support for President Mubarak's policies; our agreement with the fund was total," he told the Al-Ahram newspaper in Washington. The deal would allow Egypt to withdraw $200m a year from the IMF, and should persuade Paris Club creditors to write off the $4bn, the third and last tranche of Egypt's official debt, saving more than $200m in debt service. *Reuter, Cairo*

Tutsi rebels kill patients

Tutsi rebels have killed 34 patients and six staff at a hospital in eastern Zaire, a Zairean doctor said in Bukavu yesterday. Some 100 Banyamulenge militiamen had arrived at the hospital in Lemera, to the south of Bukavu, and opened fire, killing the patients, four nurses and two doctors, Dr Aubin Mulaga said. The rebels had attacked because the hospital was treating Hutu wounded in the conflict between the Zairean army, Banyamulenge militia and local Zairean tribes. *Reuter, Bukavu*

African food emergency

Several African countries suffer from chronic food shortages, despite improved food supplies in much of sub-Saharan Africa, the UN Food and Agricultural Organisation said in Nairobi yesterday. The Special Report on the Food Supply Situation and Crop Prospects in Sub-Saharan Africa said Burundi, Liberia and Somalia had been hardest hit. In countries such as Tanzania, large numbers of people are reported in need of food aid after local crop failures, despite a good overall cereal harvest. Other countries facing food emergencies included Angola, Eritrea, Ethiopia, Lesotho, Malawi, Mozambique, Rwanda, Sierra Leone and Zaire. *AFP, Nairobi*

Zambian president warned

One of the main Zambian opposition parties yesterday warned President Frederick Chiluba not to try to stay in office after his mandate expires at the end of October. "Should Mr Chiluba attempt to continue in office without being re-elected or without the full consent of the Zambians, [he] will be putting Zambia at great risk," said Mr Dean Mungomba, leader of the Zambia Democratic Congress.

"We shall not recognise his government after October 31 and reserve the right to take whatever steps to ensure Mr Chiluba does not extend his stay in office beyond that date." Opposition parties have condemned the president's failure to set a date for elections; government officials say the announcement is Mr Chiluba's prerogative and he should not be pressed to make it. *AFP, Lusaka*

More Kurds flee to Iran

Up to 1,000 more Kurdish refugees have crossed into Iranian territory, joining thousands who have fled north Iraq since its takeover by a Baghdad-backed Kurdish faction in September, Iran said yesterday. The official Iranian news agency IRNA quoted an official as saying the latest group had crossed the border near the north-western town of Baneh. *Reuter, Dubai*

NEWS: THE AMERICAS

UK-Cuba trade rising despite Helms-Burton law

By Pascal Fletcher in Havana

Britain's trade with Cuba increased sharply in the first six months of this year and British business interest remains strong, despite US legislation aimed at curbing foreign investment on the island, according to the leader of a British trade mission to Havana.

Baroness Young said that British exports to Cuba in the first six months of 1996 were $29m, up 92 per cent over the same period last year. This compared with full-year exports to Cuba of around $30m last year. Cuban exports to Britain in the first half of 1996 rose by 159 per cent to $23m.

"I think British interest in Cuba remains very strong – the trade figures show this," Baroness Young said on Tuesday, following two days of meetings with senior Cuban government figures, including President Fidel Castro. The trade results indicated the success of the Cuba Initiative launched by Britain in October 1994 to promote trade and investment co-operation with Cuba, she said. Baroness Young jointly chairs the initiative with Mr Ricardo Cabrisas, Cuban foreign trade minister.

The figures did not do justice to the breadth and depth of British involvement in Cuba's economic recovery, Baroness Young said. "UK participation is long term and involves commitment from quality companies," she said.

Baroness Young, who was accompanied by a delegation of British business people, gave no specific examples. But the Commonwealth Development Corporation, Britain's overseas development finance institution, is known to be developing a formula to provide working capital for business enterprises on the communist-ruled island.

A British-based investment company specialising in Cuba, Beta Gran Caribe, recently made its first large investment in the Cuban financial services sector and a British insurance group has agreed to form a joint venture in Cuba. Britain's BAT Industries and the Anglo-Dutch group Unilever are involved in manufacturing on the island, respectively in the production of cigarettes, and soap and detergent.

Baroness Young repeated Britain's strong opposition to the US Helms-Burton law, which seeks to penalise foreign investors judged to be "trafficking" in expropriated, formerly US-owned properties in Cuba. She said: "Our quarrel is not with the US administration but with the US Congress that made the law."

Foreign policy divide is blurred by Dole the bipartisan

Candidate is instinctively against party bickering on such issues, writes Jurek Martin

US ELECTIONS November 5

In spite of the Middle East summit last week, the confrontation with Iraq last month and bubbling off-stage tensions ranging from Bosnia to Northern Ireland, foreign policy has featured little in the US presidential election campaign.

This is true to form. As Mr R W Apple noted in the New York Times: "The rule was, foreign affairs could not win you the presidency but it could cost you the presidency". The victorious Gulf war could not re-elect Mr George Bush four years ago, but the taking of US hostages by Iran was a large nail in Mr Jimmy Carter's political coffin in 1980.

This year, President Bill Clinton has a foreign policy record that Republicans once thought a weak spot. They later had doubts in the wake of achievements in the Middle East, the Balkans and Ulster, and now are again beginning to believe the Clinton record worthy of renewed assault.

That, certainly, is the conviction of the foreign policy team advising Mr Bob Dole, the Republican presidential candidate. The group, led by Ms Jeane Kirkpatrick, former ambassador to the UN, often has an *ad hoc* feeling to it, but at various times it has numbered illustrious former cabinet members, including ex-secretaries of state (Dr Henry Kissinger, Mr George Shultz, Mr James Baker) and defence (Dr James Schlesinger and Mr Dick Cheney).

The problem, however, lies with the candidate himself. Mr Dole is, in many respects, a conventional partisan politician. But he cannot shrug off his belief that foreign policy, especially when US vital interests and lives are clearly at stake, should be conducted as far as possible free of party bickering.

This was evident in the debate last Sunday with Mr Clinton. Invited to criticise the president's handling of the Middle East, which the previous week he had called "photo-op foreign policy", Mr Dole backed off and described Israel's relations with its neighbours as a "difficult" problem.

Similarly, given a clear opportunity to demand that all US troops be removed from Bosnia by their December due date, he contented himself with mild criticism of what he implied was the administration's fudging of its promises.

Mr Dole acknowledged back in the spring, in the preamble to a speech on Asian policies, that he might have a problem differentiating himself from Mr Clinton "because we both believe in peace and free trade".

He had been instrumental in helping the president to secure congressional approval for the Gatt and Nafta trade treaties, both initiated but not completed by Republican administrations. He had also, in the bipartisan spirit, not sought to block US military deployment in Bosnia for fear it would undercut the Dayton peace accords.

His criticism of Mr Clinton's foreign policy, therefore, has been more generalised than particular. In campaign speeches he promises to replace the "indecision, vacillation and weakness" that he regularly says has characterised Mr Clinton's conduct with his own tough-minded approach.

He likes to attack the "declinists and multilateralists" that he sees everywhere in the president's foreign policy team.

But Mr Dole has offered no more of a coherent and alternative post-cold war foreign policy in the campaign than was evident in his 35-year career in Congress, though much of that was spent with the US and the Soviet Union locked in potentially deadly rivalry.

Even when he dwells on details – expanding Nato faster than would Mr Clinton, providing US allies with improved anti-missile systems, being even tougher with the UN – Mr Dole is canny enough to offer few hard and fast hostages to fortune.

He loves to hint he would appoint retired general Colin Powell, former head of the joint chiefs of staff, as his secretary of state, as Mr Clinton once considered. Mr Dole and Mr Powell are campaigning together this week, thus increasing the speculation over his role that Mr Powell has now learned to live with.

But, in the campaign, it is the pollsters and strategists who dictate most of Mr Dole's moves. The same is true of the Clinton side. Only when the two go head-to-head in debate, as they will again next week, does the possibility of a foreign policy debate exist – and it would be subject to tight time constraints.

There is underlying concern in the president's camp that some crisis somewhere in the world could affect public opinion in the month that remains. Meanwhile, Mr Clinton is content to defend a foreign policy record that has become defensible and to change the subject to where his real strength lies.

Canada set to unveil tough deficit targets

By Bernard Simon in Toronto

Mr Paul Martin, Canada's finance minister, was expected late yesterday to accelerate his drive towards a balanced budget by announcing a deficit target of 1 per cent of gross domestic product within the next two years.

Mr Martin was also expected to tell parliament in an update on fiscal and economic policy that the Liberal government was well ahead of the deficit-reduction goals set in recent budgets.

The sharp improvement in public-sector finances coupled with low inflation and a strong balance of payments have contributed to a steep drop in interest rates, a buoyant Canadian dollar, and a confident business outlook. Canadian banks have lowered their prime lending rate from 9.75 to 5.5 per cent since May 1995, and yesterday announced a fresh round of mortgage rate cuts.

Short-term interest rates slipped below US levels in February, and the gap has steadily widened since then. Three-month treasury bills were trading at 3.47 per cent in Canada yesterday, compared with almost 5 per cent in the US.

Despite the slide in interest rates, the Canadian dollar has gained almost 1 US cent in the past week, trading yesterday morning at about 73.80 US cents. Economists expect a significant further strengthening over the next year or two.

The budget deficit has narrowed from 5.9 per cent of GDP in the fiscal year to March 31 1994 to about 4 per cent in 1996. Mr Martin earlier pledged to bring it down to 2 per cent of GDP by 1997/98. Under the new target, the shortfall will drop to 1 per cent of GDP by fiscal 1999.

Economists predicted that Mr Martin would announce that the deficit for 1995/96, projected last March at C$32.7bn, turned out at less than C$29bn. The improvement was due to strong tax revenues and the impact of lower interest rates on debt-service payments.

Mr Martin has so far resisted calls to siphon off part of the windfall for tax cuts. However, selective tax cuts are possible before the next general election, expected to be held within the next 12 months.

The economy has recently shown signs of a more broad-based recovery. Real gross domestic product expanded at an annualised rate of 5.8 per cent in July, with a strong rebound in the housing market.

Menem backed on customs move

By David Pilling in Buenos Aires

Argentina's business community yesterday welcomed a decision by President Carlos Menem to merge the customs service and tax department, saying it marked the beginning of a new assault on corruption.

"This way the two departments will be able to cross-check data and there will be much more control," said Mr Santiago Soldati, head of the Comercial del Plata conglomerate. "It's good to see Menem showing such strong leadership."

The intervention follows allegations that officials have over the past four years allowed $10bn worth of smuggled goods into the country, representing an estimated $3bn in lost revenue.

The issue was brought to a head this week when a federal judge leading an investigation into smuggling ordered raids on several Buenos Aires locations including supermarkets owned by Wal-Mart of the US and Carrefour of France.

Mr Menem's decision to merge the two departments, announced on Tuesday evening, makes political as well as economic sense. Failure to act in the past against alleged customs fraud laid the administration open to accusations of indifference or even complicity.

The crackdown is one of several measures announced in the past few weeks by Mr Menem, who has taken a much more hands-on approach to government since his sacking in July of Mr Domingo Cavallo, former economy minister.

Mr Menem has appointed as special administrator of the customs service Mr Carlos Silvani, an International Monetary Fund technocrat who only last Monday took up his position as head of the DGI tax department.

Mr Silvani, who had already promised to cut tax evasion by 40 per cent over the next three years, will now be expected to stem the influx of smuggled goods which passes through the so-called "parallel customs".

Last January, Mr Jorge Blanco Villegas, head of the Industrial Union of Argentina, alleged that goods were routinely entering Argentina illegally from free trade zones in Chile and Paraguay. He also drew attention to the practice of "phantom exports", where charlatan exporters ship empty trucks abroad in order to receive the tax breaks that Argentina awards to genuine exporters.

Mr Silvani's task will not be easy. It has long been estimated that the DGI collects only half the tax it should, but recent efforts to crack down on evasion have been largely frustrated.

Italian pasta makers challenge US duties

By Anne Counsell in Washington

Italian pasta producers this week launched an appeal against a US Commerce Department investigation which led to duties being placed on their exports to the US.

The companies say the probe into subsidies they receive from the Italian government and the pricing of their products in the US market was "mathematically flawed" and based on old data.

The appeal is also a test of US trade law amended in accord with the Uruguay Round world trade agreement of 1993. This bars the US from retaliating against foreign companies receiving certain subsidies from their governments, including those to help less developed regions.

The Italian companies are appealing to the US Court of International Trade in New York against duties imposed on seven companies for dumping – selling at prices considered to be unfairly low under US law. Also, the appeal will challenge US countervailing duties against 18 Italian companies which were found to have benefited from subsidies.

The duties were imposed in July after the International Trade Commission, a US agency, ruled that the imports had injured US producers.

The rulings brought an outcry in the Italian media, with calls for Coca-Cola and McDonald's hamburgers to be dumped in the sea in retaliation. This has largely subsided, and the Italian government has left the producers to mount their own appeal in the US.

Mr Peter Carolan, who heads a group of importers of Italian pasta, accused the US companies of initiating the anti-dumping and subsidy cases to raise all pasta prices in the domestic market. The Italian companies also argue that increasing competition, higher prices for American durum wheat and greater US costs for advertising were behind the original action.

Ms Jula Kinnaird, president of the US National Pasta Association, said the US companies had acted to restore fairness in the US market. "The outcome of the case [imposing tariffs] did not limit imports, nor did it keep them out of the US market. But it did mean they would have to price fairly. We will aggressively defend the US industry in the appeals," she said.

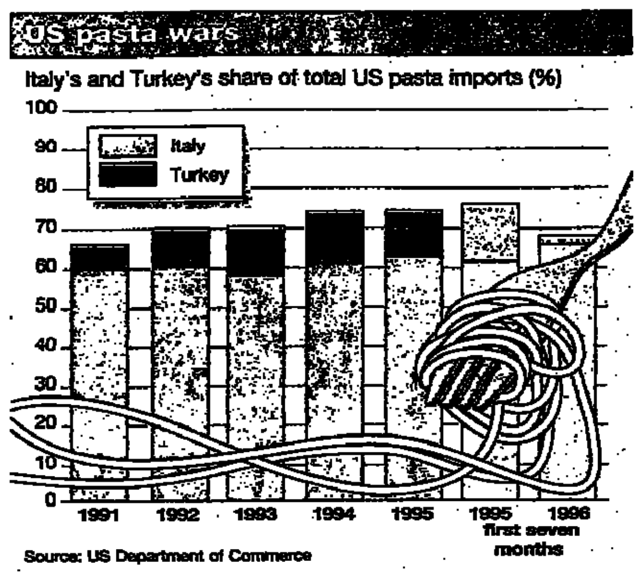
Mr Paul Rosenthal, a lawyer representing the big US pasta makers, said the US manufacturers would lodge their own appeal against aspects of the commerce department investigation. "We feel the commerce department understated the level of dumping and subsidies for certain of the companies. Some of the margins should have been higher. They did not countervail some subsidies that were there, or calculated dumping margins that were too low," he said.

The long-running pasta wars have prompted campaigns in Italy against US exports and advertising drives to win US consumers.

Turkish pasta manufacturers, also a target of the US producers' action, are also contesting the ITC decision that subsidies caused injury to US producers.

More than 100 brand names compete in the US pasta market. Many imports from Turkey, Greece, Mexico and Chile have Italian-sounding names which can confuse consumers.

There was an initial fall in Turkish pasta exports to the US after the tariffs were imposed, but it is still too early to determine whether the duties have dramatically altered US pasta purchasing habits. The premium end of the market appears less affected than the stack-them-high-and-sell-them-cheap outlets where there are fewer offers and promotions for cut-price pasta.



Source: US Department of Commerce

EU rethink on cotton import duties

By Jenny Luesby

The European Commission has opened a second investigation into whether to impose anti-dumping duties on imports of cotton fabrics, after nine of the 15 EU member states indicated they would not accept the findings of its first inquiry.

The proposed anti-dumping action, against imports of unfinished cotton fabrics from India, Pakistan, Indonesia, China, Egypt and Turkey, was presented to member states last month.

The Commission proposed provisional duties of between 3 and 36 per cent on more than £400m ($624m) of imports, equivalent to more than half of unfinished cotton fabric imports into Europe. However, nine EU member states now say they oppose the proposal.

European textiles manufacturers have mounted a vigorous campaign of opposition to the action. The nine states claim the duties will threaten more jobs in the textiles industry than the alleged dumping.

This leaves the Commission in an awkward position. It can proceed with the provisional duties, but if they are not confirmed within nine months by a majority of EU states they will be overturned.

It has therefore widened the scope of its original inquiry by sending new questionnaires to textile producers who buy imported fabric.

Eurocotton, the Brussels-based industry body that is backing the action on behalf of French and Italian weavers, claims fabric weavers are losing sales as developing countries undercut them by between 28 and 36 per cent.

However, European fabric finishers say they are dependent on the fabric imports because so little unfinished fabric is woven in Europe.

Last year, Europe imported around 250,000 tonnes of untreated cotton fabric, but it only produced 95,500 tonnes, down 12 per cent on the 1990 production figure of 109,000 tonnes.

The finishers, who dye, print and treat the fabric primarily for the home furnishings market, claim the duties will threaten thousands of jobs across Europe.

They have now been approached directly by the Commission in a move to assess the net impact of the proposed anti-dumping action on European jobs.

The move follows decisions by Britain, Germany, Sweden, Finland, Luxembourg, Ireland, Austria, the Netherlands and Denmark to oppose the action when it comes up for confirmation next year.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for October 15 1996 to November 14 1996 (September 15 1996 to October 14 1996 in brackets).

D-Mark	6.18	(6.46)
Ecu	6.24	(6.36)
French franc	6.45	(6.63)
Guilder		
up to 5 years	5.65	(6.15)
5 to 8.5 years	6.45	(6.80)
more than 8.5 years	7.30	(7.60)
Italian lira	8.29	(8.57)
Yen	2.80	(3.10)
Peseta	8.90	(9.32)
Sterling	8.21	(8.22)
Swiss franc	4.93	(5.13)
US dollar for credits		
up to 5 years	7.41	(7.21)
5 to 8.5 years	7.60	(7.39)
more than 8.5 years	7.73	(7.52)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

World air freight fleet is forecast to double

By Charles Batchelor, Transport Correspondent

Demand for air freight is expected to grow at a faster rate than passenger traffic over the next 20 years, leading to a doubling in the size of the world fleet of freighter aircraft, Boeing says in its 1996 World Air Cargo Forecast.*

Air freight traffic is forecast to increase by 6.6 per cent a year compared with 5.1 per cent for passenger traffic. Boeing expects more than 2,000 freighters will be needed over the 20 years to accommodate traffic growth and replace ageing aircraft.

The size of the world fleet is predicted to grow from 1,219 all-cargo aircraft at the end of last year to 2,261 by 2015, after allowing for the scrapping of old aircraft. The biggest increase is expected for large-capacity freighters, with forecast demand for 600 additional aircraft capable of carrying 50 or more tonnes.

A squeeze on profits in the passenger sector has led airlines to focus on the possibility of earning revenues from their cargo holds. Cargo revenues account for an average 15 per cent of total international airline revenues but exceed 30 per cent for some airlines. Freight yields recovered slightly in 1994 and 1995 after declines in the two previous years.

"The cargo side is very important because it can often mean the difference between an annual profit or loss for the airline," said Mr Bruce Dennis, vice-president of marketing at Boeing Commercial Airplane Group.

Despite the prospect for continuing long-term growth there has been a slowdown in the rate of increase in recent years. Air cargo traffic increased by nearly 10 per cent in 1995 compared with 12 per cent the year before and a forecast of up to 7 per cent this year.

By region, the fastest growing market over the next 20 years will be within Asia, where cargo traffic is expected to rise by 9 per cent a year. Other top growth routes are Asia to North America, with projected growth of 8 per cent a year, Europe to Asia, with 7.4 per cent, and Europe to North America, with 7 per cent.

One of the most significant trends identified over the next 20 years will be the increase in international "express" services, mirroring the growth of services in the US. In 1995 international air-express accounted for 5 per cent of the total market, representing an increase of 22 per cent over 1994.

Continuing annual growth rates of 18 per cent are forecast.

**Boeing Commercial Airplane Group, PO Box 3707, MS 75-14, Seattle, Washington 98124-2207, USA.*

Central America plans trade bloc with Caricom

By Canute James in Kingston

The Caribbean Community (Caricom) and the Central American common market are to begin talks on combining the two trade blocs. They hope to negotiate a free trade agreement which will strengthen their economies and prepare them for the hemispheric free trade area planned for 2005.

Trade ministers from the 19 countries in the two blocs will meet in Costa Rica next month to set a timetable for the negotiations. The talks are expected to conclude by next July.

The trade agreement is one of several which Caricom is seeking with its neighbours. Talks are planned with Colombia, the Dominican Republic, Mexico, Venezuela and Mercosur (which groups Brazil, Uruguay, Paraguay and Argentina).

Mr Ralph Maraj, Trinidad and Tobago's foreign trade minister, believes an agreement between Caricom and the Central American common market will be good for both groups. "The Caricom and Central American countries are at the same stage of economic development, and have similar economic problems. An enlarged market which a free trade agreement will bring will assist both sides."

An agreement would also strengthen the Caribbean basin countries' efforts to win freer access to the North American Free Trade Area. Caribbean and Central American countries have asked the Nafta members (the US, Canada and Mexico) to dismantle all restrictions on their exports to Canada and the US. They say that without this, they will lose markets to Mexico.

Caribbean and Central American governments are also concerned about the impact of the Free Trade Area of the Americas (a visionary plan embracing the entire hemisphere by the year 2005) on their small and open economies. "This free trade agreement we are seeing with the Central Americans will strengthen not only the economies of the countries involved, but will give business and industry a better chance of surviving in the wider free trade area which will be created in nine years," said Mr Maraj.

The talks between Caricom and the Central American common market will have to overcome a history of poor relations. There are few transport links between Central America and the islands, and the two have little trade with each other.

Relations have been made worse by a bitter row over the Caribbean's preferential access to the European Union's banana market. Some Latin American producers have supported the US complaint to the World Trade Organisation that the EU's preferences are discriminatory.

Labour laws threat to Korean OECD bid

By John Burton in Seoul

South Korea's reform of military-era labour laws appears to be on the verge of collapse, which could jeopardise its bid to join the Organisation for Economic Co-operation and Development this year.

The OECD governing board is scheduled to meet today to consider South Korea's membership after it postponed a decision two weeks ago to wait for a report from Seoul on proposed labour reforms. But a government commission on industrial relations has been unable to offer proposals after trade union representatives boycotted the committee in protest against alleged efforts to stifle reform. In response, the government has recommended the revision of labour laws be shelved.

Most European Union members of the OECD have criticised South Korea for its tough labour laws, which ban multiple trade unions and prohibit third-party intervention in labour disputes. Dozens of labour organisers have been jailed in the past few years for violating curbs on trade union activity.

Although labour standards are not considered a requirement for OECD membership, most EU members and OECD officials have argued that South Korea's labour laws should be examined as a measure of the country's adherence to basic human rights. Seoul established the labour law reform committee in May as part of the OECD membership process.

The labour issue provoked a sharp debate at the last OECD governing board meeting in late September. Several countries, including Japan, Canada, Australia, New Zealand, the UK and Finland, argued that an examination of labour laws should be waived in the review of Korea's application.

The US joined most of the EU members in delaying a decision on Korea's membership until today, when the labour law proposals had been expected to be received.

● South Korea yesterday introduced measures to cut production costs in an attempt to improve export competitiveness. Large corporations, normally barred from using cheap foreign credit for domestic investments, will be allowed to borrow foreign currency-denominated loans from domestic banks to buy Korean-made capital goods. This will ease financial costs since Korean lenders command high interest rates.

The price of state-owned industrial land will be lowered by 25 per cent on average. Some 10,000 public sector jobs, mostly among rail and postal workers, will be lost over the next four years. Korea Telecom telephone rates were reduced and 8 per cent taken off the price of hot-coiled steel produced by state-run Pohang Iron & Steel.

Supporters of Mahathir fail in party polls

By James Kynge in Kuala Lumpur

Dr Mahathir Mohamad, Malaysia's prime minister, suffered an unexpected blow to his prestige yesterday after two of his high-profile supporters were defeated in crucial party elections.

The main casualty was Ms Rafidah Aziz, Malaysia's outspoken and internationally respected minister for international trade and industry. However, her failure to win a key position in the United Malays National Organisation (Umno), the main partner in the governing coalition, is unlikely to cost her her ministerial job.

Dr Mahathir, who is unchallenged for the post of Umno president in this week's triennial elections, is empowered to make appointments to the party's supreme council, qualifying those selected for inclusion in cabinet.

The second casualty yesterday was Mr Abdul Rahim Tamby Chik, another Dr Mahathir favourite. He lost his position as head of the party's youth wing to Mr Ahmad Zahid Hamidi, an MP whose standing sank after a sex scandal, though a court later cleared him of all charges.

Umno elections are regarded as more important than national polls, which were last held in 1995. This is because the Barisan Nasional, the 14-party coalition which Umno dominates, has not lost a national election since independence in 1957. Top government jobs generally go to top Umno officials.

The Umno election is also significant because of signals of shifting internal support for the prime minister and his deputy, Mr Anwar Ibrahim. The unexpected defeat of two of Dr Mahathir's trusted lieutenants is a sign his power base in the party may be weakening.

The two winning candidates are generally regarded as supporters of Mr Ibrahim, who is also finance minister. There has been much speculation in Malaysia over whether Dr Mahathir, 70, prime minister for 15 years, may bow out to make way for Mr Anwar at the party's next general assembly in 1999, or even before.

Pressure may increase if the prime minister loses several other expected proxy battles between his and Mr Anwar's supporters in today's polls for the party's supreme council and three vice-presidential posts.

Political analysts said Ms Rafidah's loss was the most surprising. Some Umno delegates criticised her as being remote from the grassroots of the women's wing. Others said allegations last year that she broke ministerial guidelines in allocating preferential shares to her son-in-law had damaged her reputation. She was cleared of any wrongdoing.

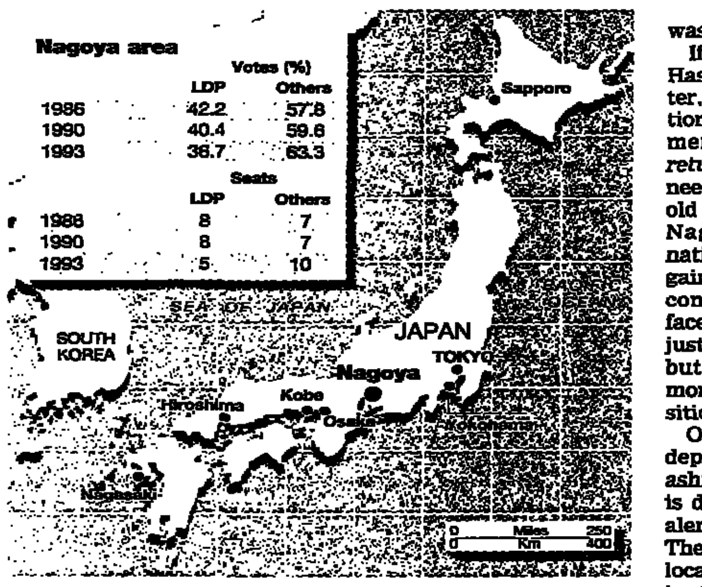
Japan's voters turn deaf ear to party drums

JAPANESE ELECTIONS October 20

For a man who did not even belong to a political party two weeks ago Mr Tetsuo Domori sounds remarkably confident about the forthcoming general election. As an organiser for the newly-formed Democratic Party of Japan for a vast swathe of the country based around Nagoya, the country's fourth largest city, Mr Domori is looking forward to sweeping up to a fifth of the seats in the region. "Our message is about returning power to the people – and the people are turning to us," he says.

The DPJ is the biggest talking point across the country in the campaign for the general election on October 20. Founded two weeks ago from a combination of former social democrats, reform-minded conservatives and a large number of independents, its principal platform – taming the all-powerful bureaucracy – is a popular one.

The party is hoping to make big gains from the governing Liberal Democratic party in the Nagoya area, a critical bellwether for the country as a whole. For most of the post-war period, the LDP was dominant there; it built on its traditional support in surrounding rural districts and regularly won a majority of seats in the city, too. But at the last election three years ago, in Nagoya, as in most of urban Japan, it was rebuffed by the voters.



Nagoya area

	Votes (%) LDP	Votes (%) Others
1986	42.2	57.8
1990	40.4	59.6
1993	36.7	63.3

	Seats LDP	Seats Others
1986	8	7
1990	8	7
1993	5	10

If the party of Mr Ryutaro Hashimoto, the prime minister, is to strengthen its position as the largest in parliament, and perhaps even *return to governing alone*, it needs to recover some of its old dominance in areas like Nagoya. But, though national polls point to some gains, the evidence from the constituencies suggests it faces a tough challenge, not just from the fledgling DPJ but also from the slightly more established main opposition New Frontier party.

Outside the Mitsukoshi department store, Mr Takashi Kawamura of the NFP is doing the Japanese equivalent of pressing the flesh. The bows he receives from local voters are more than just courteous, however. Clearly a popular sitting member for the central district, he is also eagerly claiming the mantle of political reform.

But, in spite of the bold claims of the main opposition parties, they know their real enemy is voter apathy laced with a heavy dose of cynicism. The turnout, never very high in Japan, is expected to be the lowest ever this year, with little more than half those eligible to vote likely to do so. Few people in Nagoya showed much interest in the clamour. The new electoral system, a complicated hybrid of single member and multi-member seats is partly to blame, but the more important reason is cynicism.

Three years ago, in what was billed as an historic election, voters ousted the LDP, which had governed for nearly 40 years. They chose instead a number of breakaway parties of ex-LDP members. But, since then, they have watched as the old party has gradually regained power, and the slow movement towards reform has stalled. Even the opposition parties, for all their talk of reform, have exhibited clear signs of recidivism.

The disillusion is widespread. All the main parties look the same; they all trace their origins back, in some way, to the old LDP. All of them promise bureaucratic reform this time. One voter surveying the campaigning on the streets is sceptical of even the opposition parties: "They all claim to be for change, yet when they've had the chance, not much has changed. How can anyone believe them?"

Another elderly man points out that there has been no real reform in the fundamental dynamics of Japanese politics, which remain rooted in money. "The main efforts the parties make are not in emphasising policies, but in getting face-to-face contact with as many voters as possible."

That is a euphemism for money politics and it demonstrates the uncomfortable truth about Japanese politics – a curious duality in the soul of the voter. Though many say they want a reformed system, where real political choice is the norm, they are still content to go on receiving the largesse of politicians and giving them their votes in return.

Gerard Baker

Japanese trade surplus falls 29%

By William Dawkins in Tokyo

Japan's current account surplus fell 28.9 per cent in August compared with the same month last year, towards the lower end of market expectations, prompting economists to predict continued weakness of the yen. The surplus fell for the 21st month in a row to Y460.6bn ($4bn), according to finance ministry data. The fall was driven by a continued imports rise and weaker exports to other Asian countries, and reflected a pause in the region's economic growth.

Imports of manufactured goods increased by nearly 15 per cent to Y2,808bn, more than three times the 4.5 per cent growth rate of exports, which reached Y3,374bn in August. That left the merchandise trade surplus down by 27.8 per cent to Y566.7bn, the smallest surplus ever recorded for August. On services, where Japan traditionally runs a deficit, the gap increased by 13.2 per cent to Y543.8bn, thanks to record monthly spending by Japanese tourists abroad. The shortfall on the tourism account hit an unprecedented Y333.8bn.

The overall surplus in goods and services declined by 92.5 per cent to Y22.9bn. Finance ministry officials forecast that the decline in the current account surplus would continue for the time being, in line with the government's continued determination to hold down the yen to support a halting economic recovery.

But private sector economists disagreed. They warned that the pace of decrease would slow in the next few months, because of the higher local currency cost of imports created by the yen's weakness, plus a recent weakening in Japanese domestic demand. "It is inevitable that because of the weakening of economic growth, import demand will be slower towards the end of this year," said Mr Brian Pearce, chief economist at SBC Warburg Securities.

One indicator of weaker domestic demand emerged yesterday in the form of a 1.3 per cent decline in outstanding loans by Japan's top 10 banks in the six months to September, over the previous half-year. This was because of a decline in corporate demand for loans to finance capital spending, said the Federation of Bankers' Associations of Japan.

Financial institutions are meanwhile ploughing more cash into foreign securities, according to the balance of payments data.

ASIA-PACIFIC NEWS DIGEST

Vietnam curbs foreign workers

Vietnam has banned most foreigners at joint venture and wholly foreign-owned companies from working more than three years in the country under a law which also requires foreign companies to train local replacements for their foreign staff.

Rules published in the official media yesterday said most foreigners would need to apply for work permits in addition to their existing business visas. Those exempt include diplomats, employees of non-governmental organisations, the foreign media and executives in company representative offices. Members of boards of foreign-owned companies are also exempt.

The staff localisation rule is likely to irk many foreign companies. They already find it difficult to replace foreign with local staff because of severe shortage of skilled Vietnamese workers. A punitive income tax regime which makes the hiring of skilled locals expensive will also not help, they say. *Jeremy Grant, Hanoi*

NZ Labour narrows the gap

New Zealand's main opposition Labour party has dramatically narrowed the gap with the conservative National government before Saturday's general election, according to a poll published yesterday. Centre-left Labour polled 26 per cent, up five points, while prime minister Jim Bolger's National party plunged seven points to 30 per cent.

The TV3 poll showed a strong shift to the left, with Labour's likely ally, the five-party leftwing Alliance grouping, up three points at 17 per cent. The probable third party in the group, the economic nationalist New Zealand First, fell three points to 13 per cent. The result of the election hinges on which way New Zealand First and its charismatic Maori leader Winston Peters jumps. He has said he favours Labour's social policies but has concerns about its economic policies.

Ms Helen Clark, Labour's leader, has decisively won two televised debates with Mr Bolger, according to a computer device which measures reactions of an audience of undecided voters. *Reuter, Wellington*

BhS ends supplies from Burma

Storehouse, the UK retailing group, said its BhS subsidiary, has ceased taking supplies from Burma and has no plans to resume. The move was hailed by the Burma Action Group as first evidence of success in its boycott campaign against companies which import Burmese goods. It said it would now halt action against BhS, but would continue its campaign against other importers, notably Debenhams, part of the Burton group.

Storehouse, however, denied its move was a response to the campaign. It said a supplier had a small contract in Burma for men's casual shirts which had expired. The clothes were made in a good factory by a workforce paid above the market rate and there was no use of child or forced labour. Mr Richard Dixon, head of corporate affairs, said Storehouse had not felt under pressure from the Burma Action Group, though "we would have to think quite hard before placing another contract in Burma at the moment". *Peter Montagnon, London*

Ramos second-term hopes rise

President Fidel Ramos's hopes of a second term were strengthened yesterday when the Philippines' election commission said there was no legal impediment to a plebiscite to scrap term limits on elected politicians. The plebiscite, which is likely to be held at the same time as local elections next May, could go ahead if the required 12 per cent of the electorate's signatures had been gathered in time. More than half the signatures required to hold the referendum have already been gathered in a so-called "people's initiative". *Edward Luce, Manila*

S Korean high-speed rail delay

The head of South Korea's high-speed rail project said yesterday the opening of the Seoul-Pusan line, scheduled for 2002, might be delayed by up to four years. The admission is embarrassing since the rail project, using French-developed TGV trains, is the prestigious centrepiece of South Korea's efforts to improve its overburdened transport system. Korean officials, for example, said the new rail system would ease transport problems when they successfully lobbied to co-host the 2002 World Cup Games with Japan. *John Burton, Seoul*

Fierce price war fells business airline

By Gordon Cramb in Amsterdam

World Airlines, which this summer offered business travellers a luxury route to the Netherlands from London City airport, has collapsed amid a fierce price war.

World Airlines, whose sole route served Amsterdam's Schiphol, had its leased BAe 146 jet impounded at London City Airport last week because it had not paid landing fees. The airline maintained then that the bill could quickly be settled. But the airport, sited about 10km east of the City, said yesterday that "substantial overdue payments" remained and that World was no longer flying.

Control of World Airlines – which was unavailable for comment yesterday – is understood to have passed recently from Mr Nick Stolberg, a UK entrepreneur, to Star Airlines, a Turkish cargo carrier. "They do not appear to have put more money into the company," said Mr Richard Gooding, London City's managing director.

The damage to World Airlines came three months after it began operating, when Air UK launched a cheaper service between Schipol and London City.

Air UK operates other routes from Stansted, 75km north-east of London. The company is a 45 per cent owned affiliate of KLM, the Dutch flag carrier which small rivals accuse of orchestrating a predatory pricing policy.

EasyJet, a ticketless airline which since April has served Amsterdam from Luton, 100km north of London, two months ago sent KLM a lawyer's letter accusing it of abusing its dominance of the market. This came after KLM more than halved its discount fares to Fl 190 ($46) return – undercutting the UK carrier. Mr Stelios Haji-Ioannou, EasyJet chairman, yesterday sent a complaint to the EU competition directorate in Brussels. It alleges that KLM is selling seats below their cost with the aim of forcing his airline out of Schiphol. The document cites as evidence a Financial Times report from August, in which a KLM official acknowledged that an internal memorandum had described the price cuts as necessary "to stop the growth and development of EasyJet..."

The Dutch airline yesterday declined to say whether it was losing money on the route or to indicate its market share. Mr Haji-Ioannou is seeking redress under Article 86 of the Treaty of Rome, which is intended to ensure a company commanding any market does not use its position unfairly towards competitors.

In a speech last month Mr Neil Kinnock, EU transport commissioner, praised EasyJet and other new entrants to European routes for bringing down the cost of travel. He pledged "more focused attention to potential abuse of market position by dominant carriers in specific national and regional markets within the EU."

Defender of EU policy wins ovation

By John Kampfner, Chief Political Correspondent

Leading members of the Conservative party claimed at their annual conference last night that hardline Eurosceptics had been sidelined when Mr Malcolm Rifkind, foreign secretary, won a standing ovation after defending the prime minister's "wait and see" approach to monetary union.

Pleading with Conservative MPs and activists for patience, Mr Rifkind said the UK had nothing to gain from ruling out participation in a single currency now.

Careful stage management and a reluctance among delegates to stoke controversy during a question-and-answer session with Mr John Major, the prime minister, ensured that the bitter divisions over Europe have so far been confined to the fringes.

Aides said Mr Rifkind's intervention reinforced the assertions of Mr Major that policy on the EU single currency would not be changed. It might have dissuaded dissidents from barracking Mr Kenneth Clarke, the chancellor of the exchequer, during his speech today.

Mr Clarke, who has infuriated many in the party with

CONSERVATIVE PARTY CONFERENCE

his outspoken pro-European views, is expected to follow the lead and keep firmly to the agreed line.

Mr Major, in his discussion with delegates, said he could earn "easy applause" by ruling out membership of a single currency. But he reiterated that he did not want Britain to be isolated from the "biggest political decision" in recent times.

While standing by the current position, Mr Rifkind let it be known that he sympathised with the feelings of those who wanted to ensure that Britain did not take part in the first phase of European Monetary Union.

Mr Rifkind said the single currency might not start for several years. "The nation therefore loses nothing by deferring a decision." The interests of the City of London, business and other interest groups such as farmers would be harmed by a change in policy.

Employers and industrial relations experts were sceptical yesterday about government proposals on Tuesday that trade unions which used "monopoly power" to call strikes might be made liable for damages, Andrew Bolger writes.

Mr David Cockburn, the chairman of the Employment Lawyer's Association and the Law Society's employment law committee, said: "It seems bizarre in concept and unworkable in practice."

"The present law already provides for the public to take action against unions if they act unlawfully in taking strike action. Is it now proposed they should be able to sue the unions even if they are acting within the law?"

Ms Ruth Lea, head of the policy unit at the Institute of Directors, said: "We are not overly supportive of trying to ban strikes in essential services – mainly because we don't think it is practical to do so."

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● Mr Costa Lobo, Portuguese ambassador to the UK, was summoned to the Foreign Office in London last Friday to hear a protest about his prime minister's endorsement of Mr Tony Blair, leader of the opposition Labour party, at the annual Labour conference. Mr Major was said to have been infuriated at the video message.

UK NEWS DIGEST

Effort to defuse systems 'bomb'

A small UK company which believes it has a radical answer to the so-called "millennium bomb", which threatens most business computers after the end of the century, is seeking clients to test its claim.

Mr Mark Chapman, founder of the PHD Group, a consultancy specialising in the Internet, said the solution, based on Internet technology, was simple and inexpensive compared with conventional approaches. It would be of value to between 20 per cent and 40 per cent of systems afflicted by the millennium "bomb".

Some computer experts believe the PHD approach merits serious attention. Mr John Ivinson, spokesman for the British Computer Society on the millennium problem, said it was novel: "It would, however, be interesting to see the results of a prototype".

Others are sceptical. Mr Nick Jones of the Gartner Group which advises large companies on computer matters said he doubted that Internet technology was sufficiently advanced to be applied to such a problem.

The millennium problem is a consequence of the design of computer systems. Systems attempting to process a two-digit date cannot tell the difference between the 20th and 21st centuries. Big organisations are now beginning to find their systems rejecting information with dates beyond 2000.

Mr Chapman's solution depends on using the mainframe as a repository for data. A second computer or network server connects the mainframe to an "Intranet", a company-wide computer network obeying the rules of the Internet. As data move through the server, dates are changed to indicate the correct century. *Alan Cane*

■ SERIOUS FRAUD OFFICE

Two charged over rights issue

The former chief executive and the former company secretary of Norton Group, the motorcycle manufacturer, have been charged with fraud and contravening the Financial Services Act following a three-year investigation by the Serious Fraud Office.

Mr Philippe Le Roux is facing three counts in connection with his role in a 1990 rights issue. Mr Peter Hooper, Norton's former company secretary, has been charged on the same counts. All the charges relate to the rights issue, which Norton planned to fund its £8.2m ($12.8m) acquisition of FUS, the German fasteners business.

At the time, only 11.2 per cent of Norton's shareholders took up the rights offer. That left Mr Le Roux and his private company, Manstorm, with a £1.75m underwriting commitment which they could not meet. The handling of the rights issue led to a UK government inquiry, which has not yet concluded. Mr Le Roux resigned as chief executive in 1991. Both men deny the charges. Motorcycle production at Norton's factory has ceased and it is surviving only on spares and repairs. *Tim Burt*

■ PRIVATE FINANCE INITIATIVE

Approval for defence HQ scheme

The Ministry of Defence headquarters near the Houses of Parliament, which is one of Britain's most secure buildings, is likely to be transferred to the private sector. Mr Michael Portillo, defence secretary, has given approval for the building to be refurbished under the government's Private Finance Initiative, which aims to introduce private capital into the public sector.

If the model of other PFI projects is followed, the private sector will be asked to substantially rebuild and manage the building, which the ministry will continue to occupy on a long lease.

Government accommodation has proved one of the most fruitful areas for the private finance initiative. The most ambitious property-related project is a proposal to transfer more than 700 Department of Social Security benefit offices to the private sector in a contract likely to be worth £3bn ($4.68bn) to £4bn. *Simon London*

■ ELECTRONIC CASH

Smartcard trials extended

The race to replace notes and coins with electronic cash hots up this month as The Mondex consortium is soon to extend trials of its "electronic cash" smartcards.

The group, which includes British Telecommunications, Midland Bank and National Westminster Bank, is issuing students at York and Exeter universities with the cards, which contain a microchip that can be loaded with electronic money from automatic teller machines and home telephones. The cards are "swiped" through retailers' tills to deduct payment for purchases. Users do not have to sign an authorisation slip as they do with direct debit and credit cards. Mondex is well ahead of its main rival in the UK, VisaCash, whose backers include Barclays and Lloyds Bank. It could be a year before VisaCash starts its own trials. *Jonathan Guthrie*

German car company stresses long-term commitment

BMW to raise Rover output

By John Griffiths in London

BMW made clear yesterday it was committed to a 50 per cent increase in production – to about 750,000 vehicles a year – at Rover Group, its British subsidiary. It was prepared to invest £3bn ($4.6bn) before Rover even started to earn profits.

"We could make Rover [which lost £158m last year] profitable in two years easily," Mr Walter Hasselkus, Rover's chief executive, stressed in his first interview since taking over at the company six weeks ago. "But we are interested in Rover Group for the long-term, not in short-term profitability."

Mr Hasselkus, a main board member of BMW as well as a former managing director of BMW (GB), discounted reports of cultural clashes between Rover and BMW managers.

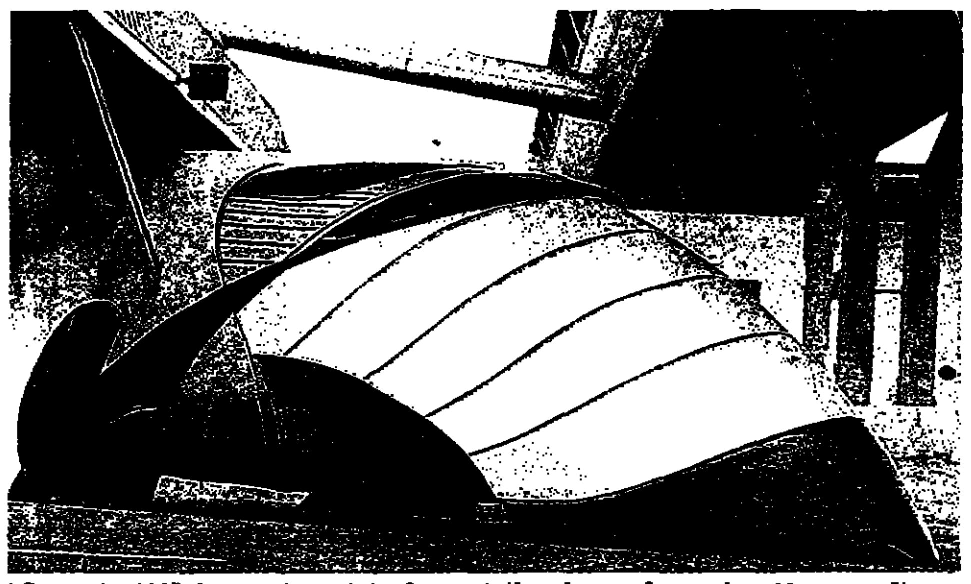
He disclosed structural changes for Rover's model ranges and suggested only a small gap remained between BMW and the UK government over the financial aid needed for a firm commitment to a £500m plant in the English Midlands to produce 400,000 engines a year for Rover and BMW. He indicated that Rover was a considerable way from meeting BMW quality standards but this was being addressed.

Action was also being taken to revive Rover's UK sales, which have stagnated at about 10 per cent of the market this year. Steps included completing the restructuring of Rover's dealer network, cutting numbers from 500 to 350, with each dealer capable of creating a more upmarket image for the Rover brand. This would be as a prelude to new Rover models becoming available within the next few years.

Under Rover's new model strategy, the Rover 800, 600, 400 and 200 ranges, based on a total of five body platforms, are to be replaced by front-wheel-drive vehicles based on just two platforms. Despite speculation to the contrary, these platforms will not be based on BMW models but developed separately by Rover.

"It would not be easy to share platforms since Rover will be front-wheel-drive and BMWs are rear-wheel-drive," he noted. It would still be possible to create widely varied sizes and styles of cars on the two platforms, while making substantial savings in costs.

The style and equipment of new Rovers would emphasise "Britishness" but would be "relaxed" rather than sporting, allowing Rover to share upmarket niches in the world car market with only limited overlap with BMW products.



"Concept 2096" is an attempt to forecast the shape of cars in 100 years. It was commissioned by the Society of Motor Manufacturers and Traders and designed by Coventry University and consultants Geoff Matthews Design for display at next week's British International Motor Show in Birmingham, John Griffiths writes. The 500kmh vehicle would have a driverless navigation system, making redundant the steering wheel and the need for driving skills.

Cars return from France 'with average of 80 bottles of wine'

By Roderick Oram, Consumer Industries Editor

Bringing alcohol across the English Channel from France has become "a way of life" for British drinkers, with each vehicle on ferries carrying an average of 80 bottles of wine and 6.7 bottles of spirits, the Wine and Spirit Association said yesterday.

The trade posed a growing threat to UK government tax revenues, with the volume of wine imports up by 67 per cent and spirits by 14 per cent this year over last, said the association in its annual survey of cross-border shopping.

Only one car in 50 carried no alcohol, its latest one-day survey found, compared with one in five cars in 1995 and one in four in 1993. Cross-Channel imports now account for 25 per cent of the wine and 11 per cent of the spirits consumed in the UK.

The UK government is also losing unspecified but escalating sums of excise duties on large-scale fraudulent shipments of spirits by container. "We keep coming across new and substantial instances of this," said Mr David Grant, chairman of the WSA and a senior executive of William Grant & Sons, the Scotch whisky distiller.

The WSA estimates the government is losing £573m ($894m) a year in excise duty and VAT on wines and spirits bought duty-paid in France and brought back to the UK. The UK government collected £2.89bn in excise duty alone on wines and spirits in the year to July.

The only solution was to reduce UK excise duties to levels found elsewhere in Europe, the association said. Wine now attracts duty of £1.05 a bottle, compared with 2.5 pence in France, and spirits £5.77, about double the French rate. In addition to duties, drinks attract VAT.

The WSA said the UK government should cut wine duties by 13 per cent a year for five years. That would more than halve the differential against French duties and thus discourage cross-border shopping. Spirit duties should be cut at the same rate to bring them down to French levels.

Economists warn on spending cuts

By Graham Bowley and Robert Chote

Financing tax cuts in next month's national Budget by cutting public spending threatens to worsen an already looming crisis in Britain's public services, leading economists warned yesterday.

Mr Kenneth Clarke, the chancellor of the exchequer, is likely to cut income tax by between £3bn ($4.7bn) and £4bn in the Budget, according to Goldman Sachs, the US investment bank, and the Institute for Fiscal Studies, the independent think-tank.

In the Green Budget, their annual budgetary predictions, they say he will pay for this giveaway by cutting government spending plans by £2.5bn and raising other taxes by £1bn.

Mr Gavyn Davies, Goldman Sachs economist and one of the chancellor's advisers, said spending cuts were already making it difficult to maintain the universal provision of public services.

The report says it will be dangerous to cut taxes in November on the assumption that the government could stick to its tight spending plans over the rest of the decade: "Hitting those plans would mean tough choices about the levels of state health and education provision," the report says.

The report forecasts state borrowing this year of about £26bn, falling to £21.5bn next year. This is much worse than the £15bn the chancellor forecast last November.

The urgency with which the chancellor has to cut borrowing depends crucially on the amount of spare capacity in the economy, which the forecast estimates at between 1 and 3 per cent of national output.

The warning on public finances coincided with news that Mr Eddie George, governor of the Bank of England (the UK's central bank), repeated his preference for higher interest rates at his regular meeting last month with Mr Clarke. The governor warned against a further rate cut, saying there was already a "significant risk" to the inflation target of 2.5 per cent.

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Nuclear exporting against the clock

State reprocessing plant pinning hopes on increase in international business

A steady "tick tock" resonates through the halls of Thorp, the nuclear reprocessing plant in north-west England which has been described as the world's nuclear dustbin. The regular beat reassures staff that all is secure at the plant, sited in the immense Sellafield complex where Britain's first nuclear power station opened almost exactly 40 years ago. Doubts about Thorp's future come from the outside world.

British Nuclear Fuels, the state-owned company which hopes to obtain a full operating licence for the £1.85bn ($2.85bn) Thorp plant in the next few months, will soon decide whether it needs to increase radioactive discharges to bring Thorp up to full capacity.

But any increase in radioactive emissions to air and water would heighten fears of health risks, despite BNFL's argument that "recycling" fuel is good for the environment.

Thorp (Thermal Oxide Reprocessing Plant) separates spent fuel from nuclear reactors into uranium and plutonium – which can be re-used – and unusable high-level radioactive waste which is vitrified and stored.

Its main justification for starting operations in 1993 was the promise of rich profits from the reprocessing of spent fuel for customers such as Japan and Germany. BNFL expects Thorp to make £500m in the first decade of its existence between 1994 and 2003 – a level of profits which financial analysts regard as derisory.

Mr Martin Forwood, a local environmentalist, argues that it is not only the economic case for Thorp which is shaky. "When a plant admits that it will be discharging hazardous radioactive materials to the environment, it has to prove the benefits will outweigh the disadvantages," he said.

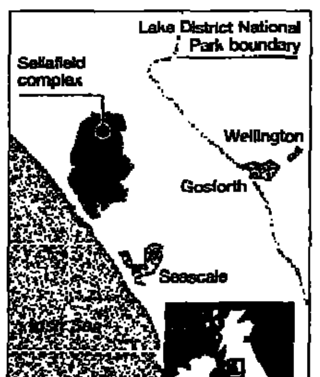
He criticised the company's secrecy over financial details: "How are we going to know Thorp is making a profit?" The company counters that providing detailed figures would weaken its negotiating position with customers and undermine its competitive position against its main rival, Cogema of France.

Opposition from environmentalists is countered by support for BNFL from the local community, where it is the single biggest employer among the population of 72,000.

Mr Robin Simpson, leader of Copeland borough council, says: "Thorp is a major step forward into the next century", and believes it will "salvage quite a lot of jobs".

Executives at BNFL, which is one of the UK's biggest export earners, speak of the future for the company almost wholly in international terms. They point out that two-thirds of the investment for Thorp was provided by non-UK investors and that over its 20-year life up to two-thirds of its projected output will be secured by non-UK contracts.

Similarly, the company is promoting itself – with some success – as an international nuclear waste management company. Earlier this year, it secured a share of a couple of multi-billion dollar contracts to clean up sites formerly used by the US military for atomic weapons production.



Leyla Boulton
Simon Holberton

TECHNOLOGY

Worth Watching · Vanessa Houlder

Pictures beamed live to your seat

Airlines are investing in ever-more sophisticated technology for in-flight entertainment. After experimenting with everything from video on demand to electronic gambling, they are turning their attention to live television.

Next summer Continental Airlines, the US carrier, plans to offer live television programmes from DIRECTV, the US direct broadcast service.

The system uses technology originally developed by Harris Corporation for defence communications. It uses an antenna system that receives signals from three satellites simultaneously. A distribution system decodes each channel and delivers the signal to the passengers' seats.

Harris Corporation: US, tel 407 727651-l; fax 407 7297246.

A mite of help for common allergies

The increasing incidence of asthma and eczema is often blamed on the prevalence of house-dust mites – whose droppings are a common allergen – in centrally heated homes. *Getting rid of these* mites tends to be a herculean task, requiring frequent vacuuming of mattresses, washing of curtains and even the replacement of carpets with wooden or vinyl floors.

An alternative approach has been developed by Protec Health, which makes bedding nets impregnated with permethrin, an insecticide, to fit over mattresses.

Research by the London School of Hygiene and Tropical Medicine has shown that the nets can kill the mites that live in mattresses for up to two years.

Protec Health: UK: (0)1285 850900; fax (0)1285 850552.

A clearer picture of surveillance

Most surveillance equipment is based on analogue closed-circuit television. But digital systems have important advantages because they preserve the fidelity of the original image, no matter how far it is transmitted. Moreover, they make it possible to automate tasks such as counting people and reading vehicle number plates. The snag is that the equipment, which is usually PC-based, tends to be expensive.

Indigo, an Edinburgh-based company, has cut the costs of digital surveillance technology by developing a system that connects cameras direct to computer network without requiring a host PC. Its VideoBridge is a networked image processor that allows video from any camera connected to a network to be displayed on any PC or workstation.

Indigo: UK, tel (0)131 440 5400; fax (0)131 440 5401.

Hearing aids plug into a new loop

A retired sound engineer has designed a device that could improve the effectiveness of hearing aids in public places.

It uses the switch that is fitted in most hearing aids to improve the quality of sound transmitted over the telephone. It disconnects the microphone and allows an induction loop in the hearing aid to link with an induction loop in the telephone.

Induction loops are also fitted *in some buildings, but they do* not work well when there are multiple sources of sound.

Hearing Enhancement, a recently formed company that is raising funds through an offer for subscription, believes that its "miniloop" overcomes these problems. It is an induction loop system that enhances sound quality in a small area, such as a reception desk or check-out area. The system, which can be fitted to furniture or carried around in a case, costs about £250.

Hearing Enhancement: UK, tel (0)131 226 1529; fax. (0)131 467 6464.

Victoria Griffith looks at how new treatments for tuberculosis are being developed

Switched-on defences

With old drugs increasingly impotent against new, resistant strains of tuberculosis, pharmaceutical companies are scrambling to come up with novel treatments.

In the US, Merck, and three small biotechnology companies – Pathogenesis, Apollon and Cubist – are among those tackling the *problem. In the UK another small* company, Stanford Rook Holdings, is making progress with its treatment.

While research efforts are in most cases at an early stage, public health officials and the medical world can be expected to follow developments closely. The resurgence of tuberculosis in New York in the early 1990s cost the city $1bn, according to its health department, mostly in extended hospital stays for patients.

By the 1970s the disease was considered all but conquered in the developed world. Even if infection occurred, it could be successfully treated with isoniazid, discovered in the 1950s.

The Aids epidemic changed that. With their weakened immune systems, Aids patients were easy targets for the tuberculosis bacteria. Those that received treatment often did not complete their antibiotics – which lasts six months. That gave the disease an opportunity to mutate and new, drug-resistant strains emerged. World*wide, tuberculosis is expected to* kill about 30m people this decade.

Experimental treatments take a number of forms. One close to market is a version of the drug most commonly used before isoniazid hit the scene – refampin, or rifampicin as it is called in the UK. A new derivative, made by Pathogenesis from a chemical used to produce doll's hair, is engineered to be more potent than isoniazid.

Because treatment will be *shorter, researchers hope* patients' will be more willing to complete the course and the bacterium will have less opportunity to build defences.

"But this product won't solve the problem since many strains of TB are probably already resistant to it," says Kendall Stover, who runs the tuberculosis effort at Pathogenesis. "What's needed is a completely novel approach."

One problem is that tuberculosis is notoriously difficult to work with in the laboratory. Most bacteria form colonies in a laboratory setting within hours; tuberculosis takes days. To speed up the research, Pathogenesis loaded the tuberculosis bacteria with a gene from fireflies to make infected cells glow. Scientists monitored the fluorescence of animal organs to see if their drugs were having any effect. "If it stopped glowing, we knew it had worked," says Stover.

The firefly experiments led Pathogenesis to a key discovery about the way isoniazid works. It was already known that isoniazid is converted to a toxic substance *by an enzyme the bacteria pro*duces: catalase. Scientists had theorised for years that the drug-resistant strains of the disease had simply stopped producing catalase. However, they were puzzled about how the bacteria could survive without the substance, which forms a key defence against the body's immune system.

The answer, it seems, is that the new drug-resistant strains put out another enzyme that takes over the function of catalase: alkyl hydroperoxidase. Pathogen's scientists believe that if they can use alkyl hydroperoxidase in the same way they used catalase, a new generation of tuberculosis drugs will be born. Cubist's research will also tackle the enzyme functions of tuberculosis, although it is not yet clear what the target will be.

*Another important develop*ment in tuberculosis research is the DNA vaccines championed by Merck and Apollon. Traditional tuberculosis vaccines are a modified form of the bacteria itself. DNA vaccines work differently. Tuberculosis produces proteins which the body comes to recognise as a signal to attack. The new vaccines would administer a single gene to patients to produce these same proteins ahead of time. The immune system, in theory, would then be briefed to eliminate the bacteria before infection occurred.

"The drug educates the body's immune system to recognise cells bearing those proteins as foreign and offensive," says Margaret Liu *at Merck. "So if infection occurs,* the immune system is ready."

The DNA vaccines, say their makers, would be safer than today's attenuated or modified bacteria, which run a greater risk of becoming active in the body. *"This is just one* gene that produces one enzyme characteristic of the disease," says Vincent Zurawski, president of Apollon. "It's not nearly as dangerous."

In the UK, Stanford Rook is using bacteria rather than genes but its approach aims to treat the disease rather than seeking preventative measures as in a traditional vaccine. The widely used BCG vaccine uses a live microbacterial strain, but the UK company's SLR172 product is derived from a microbacterium that can stimulate the immune system when it is dead.

In a nutshell, it works by switching the immune system to working in the right way to fight the organism. It is like ensuring *you do not launch a cavalry* attack when you are under threat from submarines, says the company. Results from trials are due in February and the company hopes to be marketing the product in 1998.

Most of the tuberculosis research is expected to take several more years, at least, to bear fruit. Yet scientists and public health officials are watching developments closely, not just for progress in tuberculosis, but in other infectious diseases as well.

"The reason this work is so important is that if we manage to crack TB, it could have important implications for how we address drug-resistant strains of other diseases," says Zurawski. "Antibiotic resistant forms of strep throat [a bacterial infection] and other diseases have sparked renewed interest in this area. It's a big new area."

Additional reporting by Andrew Baxter. An article on dealing with the side-effects of older TB treatments will be published soon.

The sharp end: a little boy is vaccinated against TB in a 1942 clinic

Focus on everyday issues

The European Union's research and development spending should be focused more closely on addressing social problems affecting people's everyday lives. That is the Commission's main conclusion in a consultation paper intended to open debate on the Fifth Framework Programme for R&D, which will take over from the Ecu13.1bn (£10.6bn) fourth programme at the end of 1998.

The paper puts forward three priority topics within the general theme of "research at the service of the people":

- Unlocking the resources of the living world – studying the fundamental mechanisms of biology, for application to human health, food production and environmental protection.
- Creating a user-friendly information society – creating new technology for easier access to information and education.
- Promoting competitive and sustainable growth – developing design, production and manufacturing techniques, particularly in energy, transport and agriculture.

There are also three "horizontal activities" to take place across the whole of science and technology:

- Enhancing human potential – improving the training and mobility of scientists in universities and industry.
- Involving more small and medium-sized enterprises – giving them better access to research through simplified procedures and better technology transfer mechanisms.
- Increasing the international role of European research.

The Commission will publish a formal proposal for the programme early next year, taking account of responses to the discussion paper and submissions by national governments.

Meanwhile the fourth programme continues to issue new calls for research proposals. The table below, updated every three months in the FT, is a guide for those interested in taking part.

European Union research and technology grants

	Date/OJ Reference	Due date	Value Ecu m	DG	Contact fax/Email
Information Technology (ESPRIT)	various open calls 17.9.96/C271 deadline extended	15.3.97 16.12.96	2035	III	Mrs Gerda Colling +32-2-296.83.88 esprit@dg3.cec.be
Software; components & sub-systems; multimedia; high-performance computing; business process technologies; manufacturing integration					
Telematics Applications	15.9.95/C240	15.6.98	898	XIII	+352-4301.340.79 & +32-2-295.23.54 telematics@dg13.cec.be
Administration; transport; urban & rural areas; education & training; healthcare; environment; libraries; language and information engineering					
Advanced Communications Technologies & Services (ACTS)	no open calls		671	XIII	ACTS Central Office +32.2.295.06.54 acts@postman.dg13.cec.be
Interactive digital multimedia; photonics; high-speed networking; mobility & personal communications networks; network intelligence					
Industrial & Materials Technologies (BRITE-EURAM)	15.12.94/C357 15.12.95/C337	6.12.96-17.12.97 20.5.98	1722	XII	Help Line +32-2-295.80.46
Production technologies; materials & technologies for product innovation; technologies for transport					
Standards Measurements and Testing (SMT)	15.12.94/C357 15.6.95/CC148 15.6.96/C171	15.3.96-17.12.97 30.7.96 28.11.96	184	XII	Mr Pierre Mériguet +32-2-295.80.72 smt-helpdesk@dg12.cec.be
Central & eastern Europe; other industrialised countries; developing countries					
Environment and Climate	17.1.95/C12 & 15.6.95/C148 15.12.95/C337 17.9.96/C271	27.3.97 (SMEs) 20.3.97-20.8.98 15.1.97	566.5	XII	Space technology: +32-2-296.05.88 Other areas: +32-2-296.30.24 environ-infodesk@dg12.cec.be
Environmental quality & global change; environmental technology; space techniques for environmental monitoring & research; sustainable development					
Marine Science and Technology (MAST II)	15.12.94/C357 15.3.96/C75 16.4.96/C110	11.6.97 & 17.12.97(SMEs) 27.6.97, 12.6.98 15.10.96 & 15.1.97	243	XII	Mr Jean Boissonnas +32-2-296.30.24 mast-info@dg12.cec.be
Marine science; strategic marine research technology					
Biotechnology	15.12.95/C337 15.6.96/C171	3.96-7.98 (training) 16.10.96 & 11.96-7.98 (training)	588	XII	Mr Alfredo Aguilar +32-2-295.53.65
Cell factories genome analysis; cell communications in neurosciences; immunology and vaccines; structural biology; biodiversity; social acceptance					
Biomedicine and Health	17.1.95/C12 17.9.96/C271	31.3.96-31.12.97 (fellowships) 17.12.96	358	XII	Mr Alain Vanvossel +32-2-295.53.65 alain.van-vossel@dg12.cec.be
Pharmaceuticals; biomedical technology & engineering; brain research human genome research; public health biomedical ethics					
Agriculture and Fisheries (FAIR)	15.12.94/C357 15.6.96/C171 15.12.96	11.6.97 (SMEs) 1995-1997 (fellowships) 20.9.96 15.3.97	646.5	XII	Mr Xabier Goenaga +32-2-296.43.22
Integrated production & processing chains; nutritious foods; agriculture, forestry & rural development; fisheries & aquaculture					
Non-nuclear Energy (JOULE-THERMIE)	15.12.94/C357 15.6.96/C171 17.9.96/C271	17.12.97 (Demo) 9.96-7.98 (training) 31.1.97	1030	XII (R&D) XVII	Mr Michel Poireau (R&D): +32-2-295.06.58 Mr Wiepke Folkertsma (Demonstration): +32-2-295.05.77
Strategy; rational energy use; renewable sources; fossils fuels; energy technology dissemination					
Nuclear fission safety	17.1.95/C12	1.11.97	170.5	XII	Radiation protection: +32-2-296.62.56 All other areas: +32-2-295.49.81
Innovative approaches; reactor safety & severe accidents; radioactive waste management disposal & decommissioning; impact on man & environment					
Transport	no open calls 17.12.96	17.3.97	256	VII	Mr Wilhelmus Blonk +32-2-296.53.56
Strategy rail; integrated transport chains; air urban water-borne; road					
Targeted Socio-Economic Research (TSER)	15.10.96	15.1.97	112	XII	Mr Stephan Parker +32-2-296.21.37
Evaluation of science & technology policy options; education & training; social integration & exclusions					
International Cooperation	15.2.95/C38 15.3/96/C75 & 18.4.96/C113 15.3.97	grants - 3.96 - 3.98 12.96 (developing countries) 6.97, 9.97	575	XII	Developing countries +32-2-296.62.52 Central/Eastern europe +32-2-296.33.08 EEA; EUREKA +32-2-296.42.89
Central & Eastern Europe; other industrialised countries; developing countries					
Dissemination & application of results (INNOVATION)	15.9.95/C240 15.12.95/C337 17.9.96/C271	15.12.96 15.3.96-16.9.96 15.12.96	312	XIII	Mr Robin Miege +352-4301-34544 Mr Jean-Noël Durvy +352-4301-34129
Technology validation; technology transfer					
Training & Mobility of researchers (TMR)	15.6.96/C171 17.9.96/C271	30.9.96 16.12.96 & 3.2.97	792	XII	Mr Jorgen Rosenbaum +32-2-296.90.28 tmr-info@dg12.cec.be
Research networks access to large-scale facilities; training through research; conference & summer schools					

The table above shows the status of all 17 programmes that distribute R&D grants within the EU Fourth Framework Programme. The name of each programme (and acronym, if any) is on the left in bold type, with a brief list of its main research areas beneath.
The next column gives the date(s) on which the EU Official Journal has published a "call for proposals" for the programme, with the reference number of the journal. Dates without a reference number show when the future calls are scheduled.
The "due date" column gives the main deadline for submitting project proposals. Some Calls have different due dates for different activities. The total budget of the programme over five years is given in millions of Ecu, followed by the number of the directorate-general responsible for it.
Finally there is a contact name (where available) and fax number in Brussels or Luxembourg. For further information look for DG XII's pages on the EU's Europa web site at, http://europa.eu.int/en/comm.html

TAIWAN

A new generation comes to the fore

With the transition to democracy now complete, Taiwan must now chart a new course for the future, writes Laura Tyson

When Taiwan celebrates its national day today, schoolchildren will, for the first time, no longer be required to march in parades carrying placards of the Chinese republic's founding father, Dr Sun Yat-sen.

When Taiwanese high school graduates take the gruelling three-day college entrance examinations next summer, they will be the *first graduating class not to* be tested on Dr Sun's teachings along with the usual topics of maths, science, history and literature.

These are but a few of the indications that, at a time when Chinese nationalism is on the rise in China and Hong Kong, patriotism's historical appeal is fading in Taiwan, a country which capped a decade-long transition from military rule to democracy with the popular election of its president last March.

Perhaps still more telling is the absence of students joining in the many protests over the disputed Diaoyu islands since July.

In contrast, when the long-*simmering sovereignty* dispute flared up in the 1970s, many Taiwanese students – including some who are now senior government officials – took to the streets in protest at Japan's claim to the uninhabited rocks some 100 miles off Taiwan's north-east coast.

With the transition to democracy essentially complete, Taiwan must now chart a new course for the future, to the extent this is possible given external constraints on shaping its own destiny. The divisive debate over national identity which dominated public consciousness for many years has all but evaporated since the presidential election.

Leading up to the elections, China's tactics of military intimidation helped to forge a domestic consensus around the notion that, whatever one's political beliefs, Taiwan is not in practice part of the People's Republic of China, and is in no hurry to become so. Interestingly, Quebec's debate over secession from Canada was closely watched in Taiwan, and parallels with Taiwan's circumstances quietly observed.

It is difficult to foresee what sort of social changes Taiwan will undergo in the next two decades. What is clear is that the younger generation, many of whom have returned from sojourns in the west, are not especially interested in the inflexible political ideology of their elders, be it nationalism of a Chinese or Taiwanese flavour.

Having grown up in an environment with free access to information and far greater exposure to the outside world than their parents, they are more pragmatic and outward-looking in their views. They are proud of Taiwan's political and economic achievements and aspire to greater respect from the outside world and a better quality of life at home.

In the next year, the government must tackle pressing problems. *It* must strive to achieve a modus vivendi with mainland China, with whom relations have warmed only slightly since Taiwan's president, Mr Lee Teng-hui, made a private visit to the US in June 1995. It must also take on the systemic and cultural problems of government inefficiency and organised crime which are dragging down the economy, as well as carry out necessary educational, legal, judicial and constitutional reforms.

Since the watershed elections, there has been a fundamental shift in the policies of the government to reflect the realities of Taiwan's situation and aspirations of its people, says Mr Su Chi, director-general of the cabinet's information office and the government spokesman.

"Of course we want to make advances in relations with foreign countries and with China, but the domestic arena is the only one over which we have control. If the international community does not want to recognise us, if Beijing *does* not want to co-operate with us, there is not much we can do," he says.

Hence, although foreign relations initiatives are still very much on the agenda, the emphasis has shifted.

"Our society is changing, people are expanding their horizons and opening up to new ideas, socially, artistically and otherwise," Mr Su says. "We realise that we now have a rare window of opportunity of nearly two *years during which there* will be no *elections*, when the government can concentrate on domestic restructuring."

This effort includes liberalising the economy, the financial markets and the education system; revising anachronistic laws; streamlining government operations and cutting down the bureaucracy; privatising state enterprises and services; and increasing international trade, transport and communication links as well as joining international bodies such as the World Trade Organisation.

The government has also launched a crackdown on organised crime, which has *flourished in tandem* with Taiwan's rise to economic prosperity and political pluralism over the last decade.

"There is no escaping the fact that the growth of organised crime and money politics has already had a serious effect on the maintenance of public order and the development of the democratic rule of law," Mr Liao Cheng-hau, the justice minister, told foreign businessmen recently.

"One can also see quite clearly that spread of organised crime's influence has retarded economic growth and had negative effects on the construction of transport infrastructure."

Boosting the economy is also a priority. Growth was dampened by tensions with China starting in the second half of 1995 and, although the stock market staged a substantial recovery following the presidential election, the economy has not. The best way to help matters is to speed up infrastructure spending, says Mr Chiang Ping-kun, chairman of the cabinet's council for economic plan*ning and development*.

"Fewer than half of tenders have been opened on schedule due to irregularities in the bidding process, affecting over $4bn in projects," he says, adding that he believes the economic slowdown has hit bottom.

The structure of the economy is changing quickly as it matures, from one based on manufacturing to one based on services, and from one centred on low-end consumer products to one reliant on high-technology.

To serve the emerging economic model, Taiwan's services sector must quickly upgrade to meet the demands of an ever more sophisticated market.

Relations with Beijing, which regards Taiwan as a renegade Chinese province, have shown little progress since March, when China test-fired missiles and held military exercises near the island in a bid to influence the outcome of the *polls*.

"We have always kept the door open to talks, but it takes two to tango," says Mr Lin Chong-pin, vice chairman of the cabinet's mainland affairs committee, referring to the *quasi*-official dialogue across the Taiwan strait cut off by Beijing in June 1995. "We don't think Beijing's insistence on setting pre-conditions is conducive to improving relations."

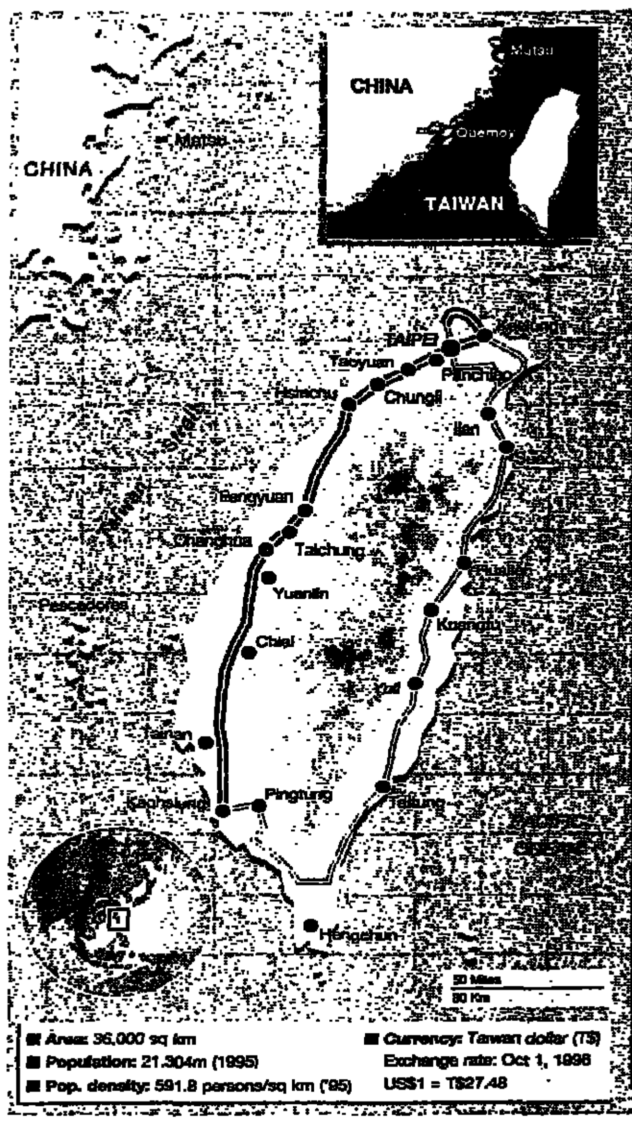
There *is an* uneasy ambivalence regarding economic ties, which offer opportunities as well as dangers. The government has tried to slow the tide of large-scale investments across the strait for fear of *becoming* overly dependent on China, advising entrepreneurs that "if their home base is not secure then whatever respect they may have received from Beijing will diminish *also*," says Mr Lin.

Meanwhile the drive for international recognition continues, if it is at a somewhat lower profile. "We are a new-born democracy. We deserve better treatment in the inter*national* community," says Mr John Chang, the foreign minister.

"Most of the world has been misled that there is only one China and that China is the PRC. But Beijing and the entire world must accept the reality that China was divided in 1949 so 'one China' does not exist; it is an ideal. In the past tense and in the future tense, but not in the present tense."

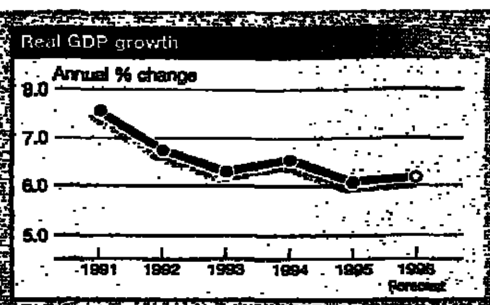
He vowed to continue the *overseas trips which have so* irritated China, and advised Beijing to "get used" to such excursions. Taiwan has come a long way since the days of Dr Sun Yat-sen.

Where it goes from now rests not entirely in its own hands, but judging from the current wave of confidence and optimism, the future should be positive.

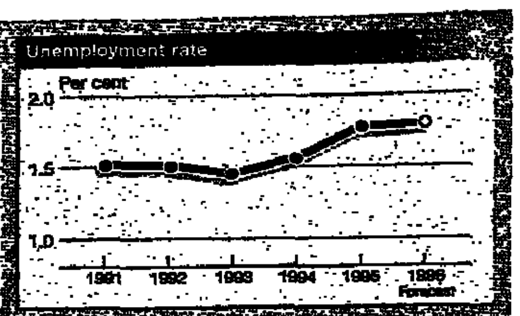


■ Area: 36,000 sq km
■ Population: 21.304m (1995)
■ Pop. density: 591.8 persons/sq km ('95)
■ Currency: Taiwan dollar (T$)
Exchange rate: Oct 1, 1996
US$1 = T$27.48

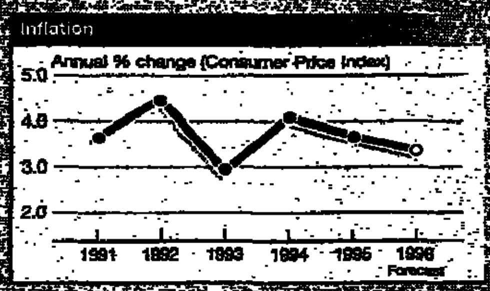
Real GDP growth



Unemployment rate



Inflation



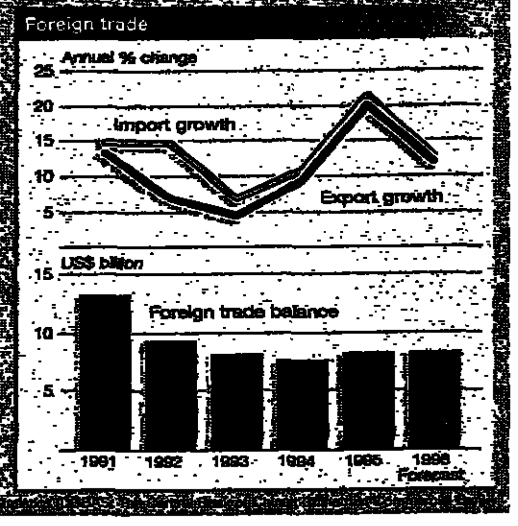
Budget deficit/budget

Economic summary

	1994	1995
Total GNP (US$bn)	243.9	263.6
GNP per capita (US$)	11,597	12,439
Exchange rate, average (T$ per US$)	26.24	27.27
Prime rate (%)	7.63	7.25
Foreign exchange reserves (US$bn)	92.4	90.3
Merchandise exports, fob (US$bn)	93.0	111.7
Merchandise imports, cif (US$bn)	85.3	103.6
Balance of trade in merchandise (US$bn)	7.7	8.1
Balance of trade in goods & services (US$bn)	4.6	5.9
Bal. of trade in goods & services (% of GNP)	1.9	2.3

GNP and trade figures at current prices

Foreign trade



Reuter

Japanese coastguard patrols intervened last month to stop Taiwanese and Hong Kong activists from landing on uninhabited islands 100 miles off Taiwan's north-east coast. Claimed as the Senkakus by Japan and the Diaoyus by China, they are another source of regional tension.

■ **Foreign policy:** by John Ridding

Trying economic initiatives

The straits crisis with Beijing may have passed but deep-seated obstacles remain

Since China lobbed missiles towards Taiwan this spring, aiming to sway the island's March presidential poll, the cross-straits crisis has been defused. China's military muscle has given way to economic initiatives, and invective has been replaced by a softer stance. "The easing in tension is very clear," says Mr John Chang, Taiwan's foreign minister.

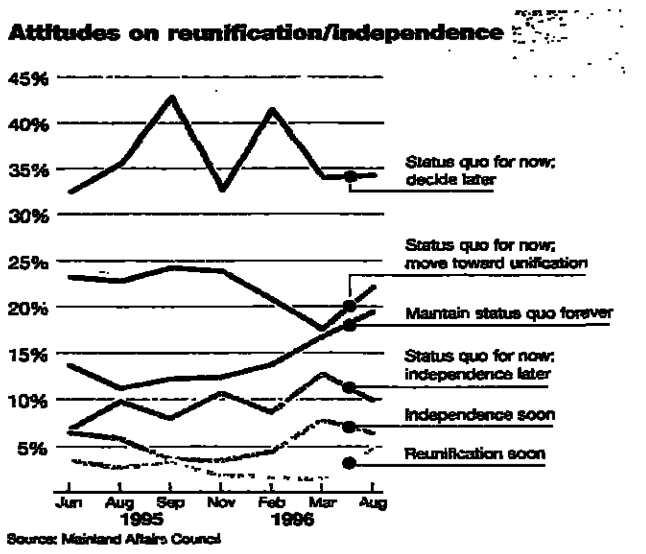
PRC generals no longer talk of "pulverising the imperialist forces and independence advocates," according to Mr Lin Chong-pin, vice chairman of the mainland affairs council, the ministry in charge of relations with Beijing. "Most of their rhetoric since March emphasises the importance of a stable environment and economic development."

But officials in Taipei are not about to celebrate. "Unfortunately, dialogue has not been restored," says Mr Chang. "I believe the ball is in their court. They claim it is in ours. So we can't find the ball." For Mr Lin, China's new stance reflects a change in tactics, not the removal of pressure. Deep-seated disagreements on Taiwan's status continue to obstruct talks. For Taiwan, Beijing's new stance brings new concerns.

In presenting economic initiatives, such as August's announcement of rules for direct shipping links, Beijing is seeking to win over Taiwan's business community. The tactic has been employed with success in Hong Kong ahead of next July's transfer of sovereignty and threatens to drive a wedge between business and government in Taiwan.

Economic cards are the strongest Taipei has to play in dealings with Beijing. And while it seeks progress on business issues it is not prepared to sacrifice them until advances are secured on intractable obstacles to improved relations, such as a renunciation of the use of force and a dispute over Beijing's "one China" definition which brands Taiwan as a renegade province.

"This is absurd," replies Mr Chang. "The PRC has never exercised a single day of jurisdiction over Taiwan, it has not collected a single penny of tax." For Taipei, the reality is that China is divided, with separate governments and political systems. Hence Taiwan's guarded response to Beijing's business initiatives. China's rules for direct shipping met with a lukewarm response, while President Lee Teng-hui has advised big investors to reassess their mainland plans.



Behind such advice lies a dilemma. "In the long run, involvement in China will cause serious dependence," says Mr I-Jen Chiou, secretary general of the opposition Democratic Progressive Party. "But in the short run, we benefit from the Chinese market and this is a big reason why we can maintain a growth rate of more than 5 per cent," he adds.

The decision by Formosa Plastics and President Foods to suspend mainland projects suggests support for the official line. "Big business is led by people who are shrewd and rational," says Mr Lin. "They know the risks they take and that the risks will remain as long as Beijing's hostility to Taiwan remains."

But the lure of the mainland market is hard to resist. Taiwan's deregulating economy and democratic credentials mean the government cannot block investments on the mainland. The moves by Formosa and President may prove temporary, while other big industrial groups, such as Far Eastern, are unswayed. With more than 30,000 projects and $30bn of Taiwanese investment in China, the business horse may already have bolted.

In the latest bout of manoeuvring with the mainland, however, Taipei's position is buttressed by several factors. President Lee's sweeping election victory has been followed by a splintering in opposition political forces and an apparent rise in support for the government's stance of reunification when conditions are ripe. "The majority point of view within our party is close to President Lee's," says Mr Chiou of the DPP. As a result, Mr Peng Ming-min, its presidential candidate has had to set up a new organisation, the Nation-Building Union, to continue his push for independence.

At the same time, Beijing's bid to secure a smooth handover of Hong Kong increases the need for care in its ties with Taiwan. Mr Li Peng, the Chinese premier, refers to the resumption of sovereignty over Hong Kong as a vital step in the march to reunification, with Macau and Taiwan next on the list. Like the rest of the Chinese leadership he is aware that any stumbles will obstruct the ultimate goal of returning Taiwan to the fold.

Mr Chang rejects a parallel with Hong Kong, stressing Taiwan's political development, its armed forces and Hong Kong's colonial status. "They have been a colony for more than one hundred years, so they have no power to determine their own future," says one senior official.

But Hong Kong's return to Chinese sovereignty may yet aid cross-straits ties. With Hong Kong watching Beijing's actions towards Taiwan, and vice-versa, China faces increased pressure to steer clear of hostile or heavy-handed actions and to avoid throwing spanners into the Hong Kong economy – such as disrupting entrepot trade.

For both Beijing and Taipei, the need to resolve technical issues relating to existing arrangements, be they shipping or investment, may prompt progress in broader ties.

Such positive forces will not end spats across the Taiwan straits. Taipei's continued lobbying for membership of the UN and its "pragmatic diplomacy" in search of international recognition will ruffle Beijing's feathers. A serious battle is looming for the allegiance of South Africa, long Taiwan's biggest diplomatic prize, although Taipei claims that the situation has "stabilised" since the recent visit of Pretoria's foreign minister.

While the dispute over the Diaoyu/Senkaku islands has prompted a bout of Chinese nationalism against Japan, it has also caused diplomatic strains between Beijing and Taipei, both claiming sovereignty over the territory.

Nor is there any imminent prospect of the resumption of talks, which were suspended by China in mid-1995 after President Lee's visit to the US. Both sides have dismissed each others' latest invitations. Beijing awaits concessions on the three direct links – post, sea, and air. Taiwan, demanding Beijing drops its preconditions, says it is happy to play the long game. Meanwhile, the government has shifted priority to domestic economic and social reforms.

Despite all the caveats, however, the long game has entered a more stable phase. The arena has shifted to the economic sphere, a long way from the military theatre which shook the region in the spring. And despite Taipei's reservations, a smooth return of Hong Kong might at least prevent a widening rift across the Taiwan strait.

■ **Organised crime:** by Laura Tyson

Effecting an entry into democracy

The gangs are so entrenched that there are limits on how far they can be pursued

Taiwan's underworld has flourished amid the island's rising prosperity and transformation to democracy over the last decade, reaping ill-gotten gains and even capturing seats in the country's legislative bodies in elections.

"In recent years, rapid economic growth has encouraged criminal gangs to improve their organisation and enter the commercial arena," Mr Liao Cheng-hau, Taiwan's justice minister, recently told foreign businessmen. "There are even cases of gang members operating in collusion with local political factions, using violence to influence election results, and even standing for election as legislators."

But now the gangs are dragging down Taiwan's economic growth, officials say. "The government infrastructure bidding process has been seriously delayed because of gangster participation," Mr Chiang Pin-kung, chairman of the cabinet-level council for economic planning and development, says. "We hope as soon as the clean-up action brings results we can speed up infrastructure development and this will have a good effect on the economy."

The government launched a nation-wide crackdown on "black societies", also known as triads, last month, apprehending dozens of gangsters. According to opinion surveys, the crackdown has nearly unanimous support from a public fed up with a daily diet of triad-inspired corruption and violence in the country's lively media.

At the same time, the justice ministry is trying to push through legislation to tighten up gaps in the legal system and help in the prosecution of gang-related cases. These include an organised crime prevention bill, which defines a criminal organisation; a money-laundering bill; revisions to laws concerning the arrest of "hooligans"; and a law to prevent people with gangland backgrounds from standing for election.

The attack on organised crime was launched to allay concerns among foreign investors, who are participating in many large-scale public infrastructure projects targeted by gangsters, as well as to improve public security, says Mr Su Chi, director-general of the cabinet's government information office. "We want to improve the climate for domestic investment as well as encourage foreign investment," he says.

In June, the National Police Administration identified 126 large gangs with combined membership of 5,800 across the island. The largest and most influential gangs are the Bamboo Union Gang, the Four Seas Gang and the Heavenly Path Alliance.

Increasingly, Taiwan's triads are involved in the lucrative practice of rigging bids on government infrastructure projects, operating underground banks, prostitution, gambling, smuggling and other illegal businesses rather than the protection rackets and extortion that were formerly their main source of income, says Mr Liao, the justice minister.

In some cases, they have taken control of the boards of companies listed on the stock exchange and harassed others through extortion.

He said that some gangsters have successfully sought elected office in order to "camouflage" themselves and gain a foothold in politics, allowing them to use legal means to protect their illegal activities, or exploit their status as politicians to "supervise" all levels of government through budget reviews.

Of the 800-odd city and county council members nation-wide, some 300 have gangland backgrounds, he says. Many of these are members of the ruling Nationalist party. Some gangs have registered themselves as political parties.

Several members of the legislative Yuan, Taiwan's national legislature, have been accused of having links with large triads. One, Mr Lo Fu-chu, an independent lawmaker, last month publicly admitted he was the "spiritual leader" of the Heavenly Path Alliance, but denied he was the gang's day-to-day boss.

Organised crime is not new to Taiwan. The Nationalist Chinese government had links with Shanghai triads before the 1949 communist victory in China's civil war. After fleeing to Taiwan, the Nationalists to an extent tolerated and occasionally co-operated with gangsters. In the early 1980s, the Bamboo Union Gang was implicated in the assassination of exiled journalist Henry Liu, who wrote an unflattering biography of former Taiwanese president Mr Chiang Ching-kuo.

But following the lifting of military rule in 1987 and the subsequent transition to democracy, the gangs appear to have grown stronger. Although their reach does not appear to extend as far at that of the Italian mafia, top officials of Nationalist party-run businesses and the party's legislative whip were implicated in a bid-rigging scandal several months ago.

Taiwan's relatively low crime rates would be the envy of many industrialised countries, but the government has stepped up security for prosecutors and judges pursuing triad-related cases. The rise of organised crime in Taiwan has international repercussions in Chinese communities elsewhere, especially China, where triads are believed to be making a resurgence. It is thought that just as Japanese companies sometimes team up with Taiwanese companies to enter the Chinese market, Japanese gangs, or *yakuza*, are working with Taiwanese gangs to go into China. Due to Japan's fifty-year colonial rule, Taiwan has a certain cultural affinity for both China and Japan, and thus is suited to the role of middleman.

What is unclear is how far the crackdown will go, especially as many gangsters targetted have fled overseas mostly to Macau, Hong Kong and the US. "The crackdown is progressing very nicely. The Four Seas Gang is collapsing, the Bamboo Union Gang is also under threat and other gangs are in disarray," says Mr Su.

But not everyone is so optimistic. "The government is very serious about this crackdown, but I doubt it will extend beyond the lower levels," says Mr Chiou I-jen secretary-general of the leading opposition, the Democratic Progressive Party.

■ **Bank privatisation:** by Laura Tyson

The pace of change needs to quicken

The big three commercial banks' operations are shackled by provincial politics

The fly in the ointment of Taiwan's financial liberalisation programme is the slow pace at which state domination of the banking system is being dismantled.

Taiwan's state banks have long been scheduled for privatisation, but the programme has met with setbacks, says Mr Sean Chen, director of the bureau of monetary affairs at the ministry of finance.

Most of those banks under the control of the central government are in varying stages of being publicly listed on the Taiwan stock exchange and gradually selling down government holdings. Two of these, Farmers Bank and Chiao Tung Bank, the state development bank, will be legally privatised within the next year, says Mr Chen.

But the planned privatisation of Taiwan's three leading commercial banks – First Commercial, Hua Nan and Chang Hwa – which hold a commanding presence in the market in terms of loans and deposits, has been stalled for years by politicians.

So opposed was the provincial assembly to the central government's privatisation scheme that a number of years ago, it passed a law blocking the "big three" from being privatised.

Controlled by Taiwan's provincial government, which is largely independent from the central government, the trio are suffering from slowing growth and lower profits, partly because they are shackled by government regulations private banks are not subject to.

Because the banks are state-owned, employees are civil servants and those ranking above clerical levels must pass civil service examinations to be hired or promoted. Senior management are government appointees who do not necessarily have expertise in banking and finance.

Officials tend to be highly averse to taking risks because a loan turned sour can severely damage the careers of those with responsibility for the loan.

But what makes it especially difficult for the banks to modernise operations and boost competitiveness is that their budgets and operations are subject to the scrutiny and approval of the provincial assembly. Unscrupulous members of the assembly often use this leverage over bank management to their personal benefit.

Under Taiwan law, an enterprise is legally "private" if combined state holdings fall below 50 per cent, at which point its budgets and operations are no longer subject to legislative scrutiny.

Unable to override directly the provincial assembly's block on privatisation of the banks, the finance ministry plans to leap-frog the assembly by passing a new law in the national legislature.

The draft law, to be introduced in the legislature shortly, will, if passed, make all state banks subject only to banking laws and company laws, similar to the French state banks, says Mr Chen of the bureau of monetary affairs.

According to Mr Chen Mu-tsai, deputy finance minister, this will allow the state banks to become commercially-oriented and enable them to compete in domestic and international markets. The process of drafting the law has been "very complicated" and time-consuming, says Mr Chen, involving the approval of several government watchdog agencies and even requiring revisions to the country's constitution.

Trade: by John Ridding

Powerfully driven by investment

Patterns have undergone upheavals with the region now the main target

Beneath the volatile swings of short-term trade, Taiwan's commercial ties have been undergoing a more fundamental transformation.

"Our trade has become much more diversified in terms of destination and in terms of production," says Mr Chiang Pin-kung, chairman of the ministerial-level council for economic planning and development (CEPD).

The shift is clear from the figures. In 1984, the US accounted for almost half of Taiwan's total exports. Now it represents about 23 per cent, roughly the same as the share of shipments going to China and Hong Kong, the conduit for mainland trade.

The developing economies of south east Asia account for an ever-growing slice of the island's commerce. Since 1985, the share of Taiwanese shipments going to Asean has more than doubled, reaching 12.4 per cent last year.

Such upheaval is largely explained by the restructuring of the Taiwanese economy. As with other maturing Asian tigers, the rising cost of land and labour has prompted manufacturing industries to seek low-cost production centres in the region.

This, in turn, has fuelled the export of capital equipment to supply Taiwanese firms. "It is a clear case of investment-driven trade," says Mr Chu Chia-I, director of industrial development and investment at the ministry of economic affairs.

The result is that Taiwan has established itself as one of the three biggest foreign investors in China and in most Asean nations. Total investment in these markets exceeds $36bn, with the tion's share accounted for by some 30,000 projects on the mainland. In recent years, there has been a significant push into European and US markets as Taiwanese manufacturers seek to establish production centres near their customers.

Although capital outflow has slowed since the peak years of 1989 and 1990, Taiwan's overseas investments have bequeathed a more balanced trading base. "This is a positive development, we are now more diversified and we don't get too much pressure from the US these days," says Mr Chiang at the CEPD, referring to the trade disputes which dogged bilateral relations in the 1980s, when Taiwan was racking up surpluses of more than $15bn with its partner.

Diversification has also reduced volatility. "We are no longer so dependent on a single market," says Mr Chou Ji, director at the Chung-hwa institute for economic research.

But Taiwan's trading transformation has brought fresh concerns. The importance of the mainland market means that the island's fortunes are increasingly determined by cross-straits political relations. Raised tensions in the first half of this year, as China sought to sway Taiwanese voters in the presidential election, had a strong impact on trade. Exports inched ahead by little more than one per cent during the period, while imports fell by 8 per cent.

And while geographical markets have diversified, Taiwan remains dependent on a few significant sectors, notably electronics. With international demand waning and with Taiwanese trade still ultimately determined by conditions in the developed markets of the US and Europe, the result has been a slowing in total exports.

First half shipments grew by about six per cent, compared with more than 20 per cent for 1995. But with imports also sluggish, and gradual signs of export recovery, private economists predict that Taiwan will still post a trade surplus of about $10bn this year.

This surplus is no longer the sensitive trade issue it was in the past, largely because it is much less than the peak of $19bn in 1987 and because it is now spread more evenly with economic partners. But there are still areas of friction which need to be resolved before Taiwan can join the ranks of the World Trade Organisation.

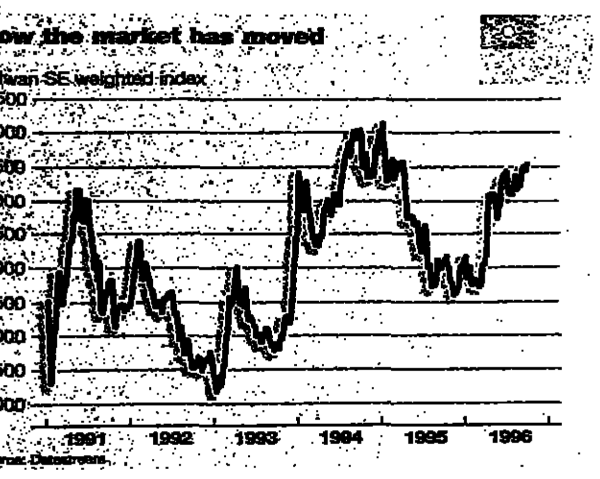
Automobiles, agriculture, wine and tobacco are some of the markets where WTO members are seeking further liberalisation or deregulation. Mr Chiang at the CEPD says that progress is being made, although complex issues remain to be resolved in areas such as the reform of the state beer and wine monopoly. In financial services, Mr Chen Mu-Tsai, vice minister at the ministry of finance, says that most of the issues have been resolved. "There are only teeny things left," he says.

As to timing, Taiwan rejects the claim that it must wait for China. "We are saying that the issue is not related," says Mr Chiang. "We have to conclude bilateral accession talks as soon as possible."

But China does not see it that way, and diplomats play down the prospect of Taiwan beating Beijing through the WTO doors, despite the glacial progress in China's membership bid. As with trade and investment flows, it appears an issue where Taipei's fortunes will be determined by movements on the mainland.

Taipei: the capital's tallest building

Sarah Murray



Economy: by John Ridding

Tiger seeks to roar again

Structural challenges must be removed for private sector to regain its drive

Outside east Asia, Taiwan's growth rate would be trumpeted with pride. In the lair of the tiger economies, however, forecast expansion of just under 6 per cent this year has prompted a bout of soul-searching.

Precedent, reforms, and emerging signs of an upturn suggest the gloomsters will be confounded. But policy makers and business leaders are faced with significant structural challenges as well as adverse cyclical trends if they are to rekindle Taiwan's fire.

Both challenges are evident in the economy's recent lacklustre performance and in a series of downward revisions to growth forecasts. The latest official estimate, issued in August, predicts a rise in GDP of 5.89 per cent this year, a far cry from the double digit rates of recent memory and slightly below the performance in 1995. Even this target requires a rebound in consumer spending and investment.

Some slowing is natural as the economy matures, and like the rest of the region, Taiwan has been hit by a downturn in electronics exports resulting from faltering international demand. Other core industries, such as petrochemicals, have struggled in the face of waning cyclical demand, while government spending has been curbed by a budget deficit and delays in infrastructure projects.

There have been accidental factors. Mainland missile tests and a belligerent Chinese stance in the run up to Taiwan's March presidential elections knocked the confidence of consumers and investors. Exports, the stock market and the property market all suffered.

That crisis has now passed. Consumption and government spending are set to strengthen, according to economists. Exports are also expected to revive, despite the strengthening of the Taiwan dollar since it was steered sharply lower in May. With recovering demand in China and an easing in the central bank's monetary stance many see the clouds lifting. "The economy has bottomed," says Mr Daniel Chen, chief economist at Chinatrust Commercial Bank. "I am more optimistic about 1997," he adds, predicting growth of more than 6 per cent. But for Mr Chen, as for most in business and government, it is structural problems in the economy, rather than short-term growth estimates, that pose the thornier questions.

Rising land and labour costs have pushed low valued added manufacturing overseas, a familiar pattern in east Asian economies. But bars to investment, underdeveloped infrastructure and the weakness of its service sector obstruct Taiwan's adjustment to a higher cost economy.

"Services now account for more than 60 per cent of output," says Mr Chen, describing what he sees as a natural shift in a maturing economy. "But our services, in banking, insurance and telecoms, are less strong than in Hong Kong and Singapore. They are also very domestically-oriented." Public spending has been delayed by political wrangling, environmental concerns and corruption. "In the past we had a very efficient decision-making process. When we needed infrastructure we just did it," says one businessman. "Now it is impossible," he says, citing the example of a fourth nuclear power plant, blocked for years by environmental protests.

In the private sector, investment in cement plants in the north east of the country has been halted by environmental protests, as has a petrochemicals complex in the south. Industrialists bemoan the red tape which binds their plans.

The government's response is under way. Mr Chiang Pin-kung, chairman of the council for economic planning and development, cites initiatives to ease investment constraints and improve infrastructure. The aim, he says, is to stimulate domestic business and develop Taiwan as a regional business hub – or an Asia Pacific Regional Operations Centre (APROC), as it is known in the official plan.

Specific measures include legislative reforms to ease restrictions on land purchases and reduce costs, investment in training and deregulation of financial and service industries.

Licences for new telecoms operators are due to be issued by the end of the year, while ceilings on foreign stock market investments have been raised. Red tape is being reduced and the public sector is being reined in, with the headcount being cut by 5 per cent over the past few years.

A crackdown on organised crime has been launched.

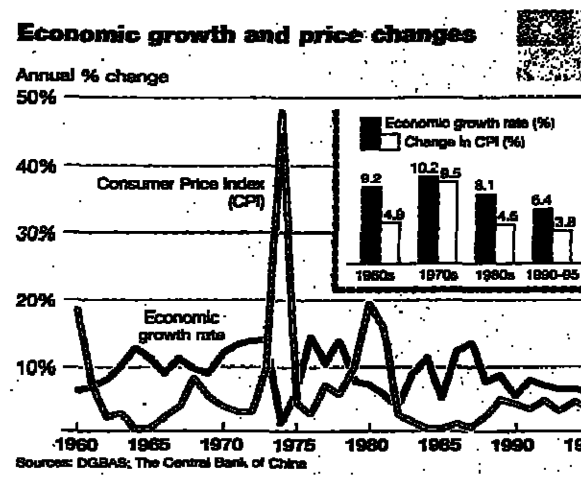
Business leaders raise some misgivings over the pace of reform, but welcome the government's moves. "APROC is a good and very important idea," says Mr Chiao Yu-lon, chairman of Walsin Lihwa, the cables to semiconductors conglomerate. "Once the way is cleared for the private sector then Taiwan moves very fast."

Behind this view lies a confidence in the continued dynamism and entrepreneurial spirit of corporate Taiwan. And there is much to support such faith. High-tech companies are emerging to maintain the momentum of industrial development and to keep Taiwan strong in new markets. One example is Mustek, one of the world's largest producers of scanners for computers, which expects to see sales double to T$5bn this year.

"We are still a very flexible economy," says Mr Chen at Chinatrust. "So despite all of the obstacles, I am optimistic." He cites strong fundamentals, including inflation of little more than 3 per cent and a trade surplus predicted to exceed $10bn this year.

Not all, however, is in Taiwan's hands. The experiences of the past six months have served as a reminder that the fortunes of local business are determined, in part at least, by the vagaries of cross-straits diplomacy. The missile tests of March have now given way to a complex game of economic manoeuvring in which President Lee Teng-hui has urged a re-think of mainland investment projects. The move underlines the uncertainties facing Taiwanese industry in investing on the mainland, its natural low-cost hinterland.

However, it points to the limits in Taiwan's vision of becoming a regional operations centre or to rival Hong Kong as a gateway to China. "It is hard to be a gateway when you aren't speaking to the other side," says one prominent businessman. "We have achieved a lot without the mainland, and despite tense relations. So there is a lot of upside if there is any improvement."



Nuclear power debate: by Laura Tyson

Hurdles yet to be cleared

A broad national debate involving almost all interested parties has blown up

Taiwan's planned fourth nuclear power plant faces substantial hurdles which must be cleared if it is ever to be built. Some of those obstacles could prove insurmountable, ultimately dooming the controversial estimated $5bn facility.

Plagued by environmental protests, failed bidding and cancellation of the project's budget, the 2,600MW plant has been on the drawing boards since 1980 and if all goes smoothly – a very big if – will come on line in 2010.

The most immediate task facing the government is to restore the plant's budget, eliminated by opposition parties in the national legislature in May of this year. This promises to be a tough fight as the ruling Nationalist party maintains a razor-thin majority of just one seat in the legislature.

The vote came just hours before Taiwan Power (Taipower), the state electricity monopoly, awarded a $1.8bn contract to General Electric of the US to provide the design for the nuclear reactor, related equipment and nuclear fuel.

Undaunted, Taipower nonetheless vowed to push ahead with the plant and in late September directed GE to start work despite the lack of budget approval.

The award was the outcome of a difficult battle with US contractor Westinghouse, in partnership with the UK's Nuclear Electric, and the US unit Combustion Engineering of the Swedish-Swiss engineering group ABB. France's Framatome had dropped out of the bidding earlier. Altogether the four concerns are estimated to have spent over $100m combined over the years preparing their bids.

Nuclear power was first introduced in Taiwan in 1977, and by 1995 the island's three plants generated a 23 per cent share of total installed capacity of 21,900MW, down from 32 per cent a decade earlier.

Since Taiwan began a transition to democracy in the late 1980s, environmental movements have gained strength. Construction of facilities such as manufacturing plants, rubbish incinerators and power plants has become extremely difficult due to the opposition of residents who do not want such a facility in their community. "The difference with nuclear power is that it has become a national dispute, not just a local dispute," says Mr Richard Hsu, vice president of Taipower.

Local residents are equally opposed to facilities such as sub-stations and transmission lines. Years of negotiations and usually some form of compensation are generally needed to overcome residents' objections.

Mr Yi Hung-ting, secretary-general of the cabinet's national energy commission, concedes that the government needs to improve communication with residents. "The main reason they protest is because they don't fully understand the projects," he says.

Proponents of Taiwan's nuclear programme such as Mr Hsu from Taipower say the country needs to expand its power supply. "We urgently need additional capacity. Existing facilities are over-utilised. We must also invest to improve the quality of electricity supply," he says.

Mr Yi from the national energy commission says the government's energy policy stressed diversification of energy sources and forms, and the fourth nuclear plant was an important part of the government's energy development strategy.

Electricity consumption has risen at an average of 6.4 per cent a year for the last two decades, and the government expects demand to rise at an average annual rate of 4.5 per cent from 1995 to 2010.

The margin of reserve electricity was just 4.7 per cent in 1995. This is forecast to rise to 5.4 per cent this year, but this is still far below the ideal level of 20 per cent in an isolated system such as Taiwan's, officials say.

The government, Taipower and some industry experts believe adding a fourth nuclear plant is the best alternative for small and densely-populated Taiwan. It uses less land than a series of smaller non-nuclear plants; it is "cleaner" than a coal- or oil-fired plant in that it does not pollute the air or produce waste gases or dust; and, although it does produce waste materials, these can be safely stored.

It has a much larger generation capacity than other types of plants. And based on the experience of other countries such as Japan and France which rely on nuclear power, the safety concerns for properly managed facilities are minimal.

But other experts question the need for the plant, saying that other less controversial and potentially dangerous solutions can be found.

They point out that the new programme of independent power producers (IPPs) is supposed to bring on line new capacity of 10,300MW by 2002. "The question is: if we have this much private supply, do we need a nuclear power plant coming on line less than ten years later?" says Mr George Hsu, an energy specialist at the Chung-hua Institution for Economic Research.

The fourth nuclear plant was set back by one year in 1995 when the project bidding failed because all the bids submitted to Taipower for the job of general contractor were double or triple Taipower's ceiling price. The price ceiling, believed to be about $2bn, had been set in the late 1980s and since then costs had risen significantly, and bidders were unwilling to accept full liability at that price.

The project was then restructured from a turnkey model to smaller contracts with Taipower itself acting as the general contractor and put out to retender. This resulted in GE winning the bid at what some industry observers viewed as a surprisingly low price.

The budget for the plant had been frozen for many years until 1994, when the Nationalists managed to ram the package through the legislature against violent opposition.

For Taipower, which is charged with the responsibility of supplying the island's residents with electricity, building a large "baseload" facility such as the fourth nuclear plant is important for practical reasons. But some advisers to the IPP plants suggest that there may be political considerations as well.

Many people have been working in the nuclear field since the inception of the government's nuclear programme in the late 1960s. If the fourth nuclear plant is cancelled, then most of those people will be out of a job. One industry source estimated there were between 2,000 and 3,000 people in the nuclear field working in Taiwan.

PROFILE **Walsin Lihwa**

Through rough terrain

The goals are dynamism, management efficiency and mainland fever

As a keen hiker, Mr Chiao Yu-lon is used to rough terrain. So plunging profits and a lacklustre local economy have failed to ruffle the chairman of Walsin Lihwa Corporation, the cable-to-semiconductor concern that is one of Taiwan's largest industrial groups.

"Taiwan still has a very vibrant business community, so I am optimistic about the economic situation," he says. As for Walsin Lihwa: "This is the low point, we have come to a major crossroads and all our business areas have potential for strong growth."

Such claims come in the middle of a period of transition for both the national economy and for Walsin Lihwa, after years of rapid growth. The family-controlled conglomerate saw pre-tax profits fall by 65 per cent to T$434m in the first half of the year, as earnings were hit by the downturn in the semiconductor cycle. The group's new specialty steel business sustained heavy losses. But Mr Chiao believes the company strategy is sound, and set to prosper. Taiwan itself is emerging from economic and political upheaval.

Like several other leading Taiwanese industrial groups, Walsin's strategy has two prongs – the development of higher value added, high-tech operations at home, and international expansion in traditional core industries.

In Walsin's case, this has meant substantial investment in China in wires and cables, the core company business since the group was founded in 1966 by Mr Chiao's father. With eight plants on the mainland, and a total investment of $80m, Walsin has an extensive and profitable China operation. Infrastructure is at the top of Beijing's policy priorities.

This push is set to continue, despite signals from the government in Taipei that it wants a cooling in mainland fever and the suspension of projects by some of the island's biggest groups. "We will stick with our plans," says Mr Chiao, although he says Walsin does not require much additional investment.

At home, Walsin sees continued growth in the cable market, mainly as a result of a shift to higher value added and higher voltage networks. In a move to strengthen its presence in growth industries, the group is taking a 30 per cent stake in a joint venture bidding for one of Taiwan's new mobile telecoms licences. Total investment in the project, should a licence be awarded, is estimated at about T$6bn.

The telecoms project is the latest step in a diversification strategy which has seen a lucrative shift into semiconductors. But it has also brought problems – notably the losses at its Walsin Cartech steel operation, estimated by analysts at T$380m in the first half.

Mr Chiao says that remedial measures are under way, and that a solution will be revealed within the coming months. But this does not mean exiting the specialty steel business, which he sees as a strong growth market. "We see the prospect of double digit growth for high quality special steels," says the Walsin chief.

Market optimism is matched, with some reservations, by Mr Chiao's views on domestic social and political development. Although he sees "serious problems" that need to be addressed, from infrastructure to red tape, he cites progress in adjusting to democratic reforms and economic adjustment. "We have come a long way, the most confusing time is over."

Most important, he claims, the island's entrepreneurial spirit remains intact.

The challenge for Walsin Lihwa, according to Mr Chiao, is to maintain this spirit as the group expands. "In different stages you need different types of people. My father, the founder had a unique character and vision to build this company from nothing," he says. "Now we have new high-tech businesses so we need to develop a creative atmosphere."

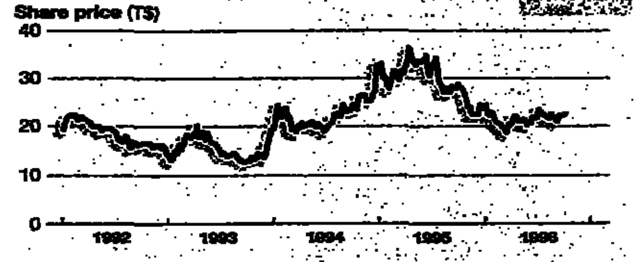
Part of the answer, he believes, is to increase specialisation and professional management. Thus Winbond was spun off last year, with Yu-cheng, the eldest brother at its helm. The other brothers, and their sister, have also developed defined areas of responsibility. Yu-heng heads Walsin Technology Corporation, another candidate for a spin-off, while Yu-chi and his sister Yu-hwei are responsible, respectively, for wire and cable and corporate purchasing.

Further re-engineering is on the cards in a bid to cultivate "bottom up" initiatives. "How to organise, how to develop a corporate structure which can best run these different businesses is a major issue for the next year or two," says Mr Chiao. "In the past we developed our business by issuing new capital, by selling assets because the stock market and property market was booming. In the future we have to manage growth from our cashflow."

Analysts applaud such priorities. But maintaining dynamism and management efficiency present a tough challenge in a family-controlled company. Whether groups like Walsin can succeed will determine whether the momentum of Taiwan's founding industrial generations can be sustained.

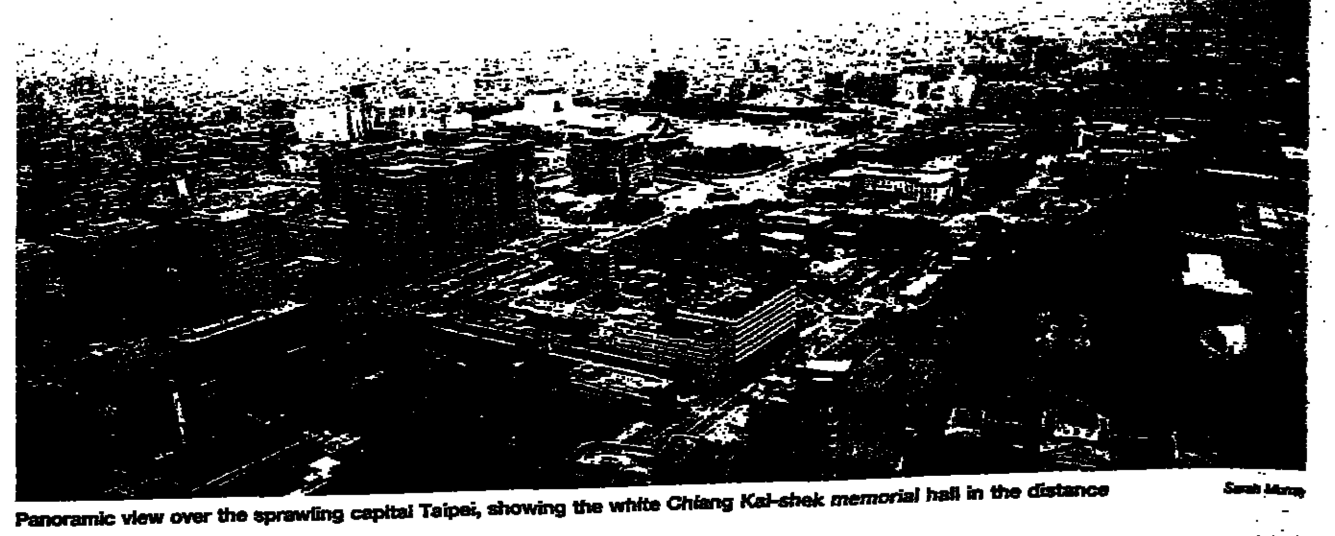
John Ridding

Walsin Lihwa



	1992	1993	1994	1995
Earnings per share (T$)	0.46	0.69	1.77	2.98
Net margin (%)	5.76	8.64	18.01	25.62
Return on equity (%)	3.67	5.17	11.92	16.91
Return on assets (%)	3.91	4.94	8.90	12.30

Sources: Datastream; company report



Panoramic view over the sprawling capital Taipei, showing the white Chiang Kai-shek memorial hall in the distance

■ **Finance:** by Laura Tyson

Yet more changes needed

By 2000, controls on capital flows end, merging offshore and domestic banking

Taiwan's highly incremental approach to financial liberalisation may have its detractors, but few could deny that there have been sweeping changes over the last decade.

"Since 1987 we have been engaged in reform of the financial system and financial markets," says Mr Chen Mu-tsai, deputy minister of finance. "This must be undertaken in the suitable sequential order, which has made liberalisation a very complicated procedure."

But more changes are needed if the government is to realise its plan to transform Taipei into a regional financial centre in east Asia. "To achieve this, we are trying to set up a comprehensive legal framework which is in line with international practice," says Mr Chen.

Reforms are important for more practical reasons too. According to Mr Chiang Pin-kung, chairman of the ministerial-level council for economic planning and development (CEPD), the outdated financial system – in particular the banks – is one of the main factors holding back Taiwan's economic growth.

"The banks insist on guarantees. Without them you cannot get a loan. This makes it very difficult for the small and medium-sized enterprises which comprise 95 per cent of Taiwan's industry," he says.

Several more large scale reforms will be undertaken in the next few years, after which it will mostly come down to the perhaps harder task of fine-tuning.

In early 1997, the country's first rating agency for corporate debt is to be established. *Initially financial institutions* and later corporate issuers will be required to get a rating from the new agency, which will be private and backed by domestic banks, securities firms and international rating agencies.

Next year, too, the finance ministry plans to issue licences for finance companies, now non-existent, in a move designed to bring the rampant illegal underground financing market above ground. Later, Taiwan plans to set up a futures trading exchange, pending passage of relevant laws in the national legislature. It is hoped this will stop illegal futures trading, which continues despite a severe crackdown in the early 1990s. By the year 2000, all remaining controls on capital flows will be abolished, effectively merging the offshore and domestic banking markets.

"Liberalisation of capital flows is a key component in the establishment of a regional financial centre," says Mr Chen. He added that in the event of a political or military crisis, the cabinet retained the legal right to re-impose foreign exchange controls, but approval from the national legislature must be secured within 20 days.

Whether Taiwan can succeed in becoming a financial centre, and even the very definition of a financial centre, is the subject of vigorous debate in Taiwan's financial community. Some regard the quest to be a financial centre as irrelevant if not impossible, particularly given the absence of direct political and economic ties with China. But as one foreign banker privately noted, the government's emphasis on the financial centre project is beneficial in that it *concentrates minds* on the necessary task of reform.

Some also fault the government for its incremental, consensus approach to reforms, in which the views of all parties are aired and considered at length, as too slow and characterised by "one step forward, two steps back."

But supporters argue that this is a more practical and solid way to conduct reforms than the "shock" treatments favoured elsewhere.

In the late 1980s, strict controls on remittances of funds in and out of the country were relaxed. Foreign exchange restrictions were *lifted completely* for trade-related transactions. Interest rates and foreign exchange rates, previously fixed by the central bank, were freed and are now largely determined by market forces.

Authorities then turned to the securities market. Curbs on the establishment of new securities firms were lifted in 1990 and the number of domestic brokerage houses jumped from 28 to roughly 300 today. Rules for listing on the domestic stock exchange were streamlined and the number of listed companies rose from below 200 to 360 currently.

In 1994, foreign brokerage houses were allowed to apply for foreign branch licences and effectively granted national treatment.

The domestic stock market was opened to foreign investment in 1991. The ceiling on the amount of foreign funds allowed to invest in domestic shares has gradually been lifted. Last month, the central bank announced that at the end of 1996, the ceiling would be raised from 20 to 25 per cent of total market capitalisation. The limit on any single foreign shareholder in a Taiwan company will *simultaneously* be lifted from 7.5 per cent to 10 per cent.

Mr Hsu Yung-pang, vice chairman of the Securities and Exchange Commission, said the ceiling may be scrapped altogether before long. "It is possible we can quickly remove the limits, because we notice that some countries have no restrictions and their foreign investment is only 10 or 20 per cent," he says.

But one reform long sought by foreign investors, bringing stock trading hours into line with international practice, will have to wa "Most of our investors a housewives and they do n want to cancel Saturd morning trading or op afternoon trading, so have decided to wait a ye before considering the iss again," Mr Hsu says.

Reform of the banking sy tem – essentially frozen time for decades – began 1991 when the finance mini try handed out sixteen ne banking licences. The ne banks were established 1992, adding nearly $7bn the capital base of the ban ing system and injecting much-needed dose of comp tition to Taiwan's th rather sedate banking m ket.

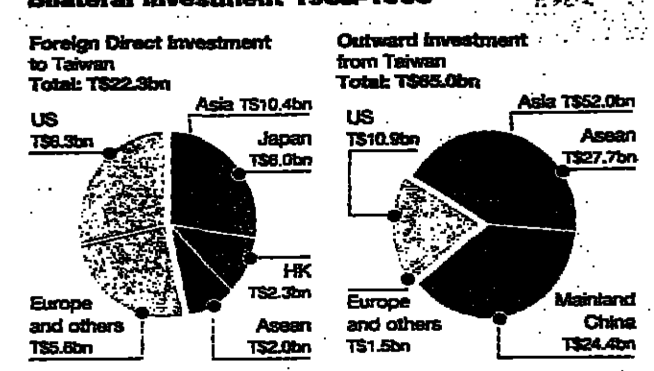
Foreign banks since 19 have enjoyed nearly natior treatment in Taiwa *although with a few exc* tions most do not choose enter the consumer marke

The restructuring of t banking system is still und way. The scope of busine for commercial banks h been widened to inclu securities operations. recent years investment a trust companies have be permitted to convert i commercial banks a regional business ban were allowed to upgrade i nation-wide banks.

Problems in the bank system have been hig lighted by 28 bank ru mainly among smaller cre co-operatives, since Ju 1995. Mr Chen attribut most of these to poor int nal controls. "The existi legal framework for t farmers' and fishermen's operatives does not wo well," he says, adding th the system was under re sion. The insurance indust is also being liberalised wi the market opened to non- insurers for the first time 1994. At the same time, t lucrative three-way oligopo in short-term paper issuan has been opened to new m ket entrants, with eleve new firms being grant licences.

Perhaps the most impo tant – and the most difficu – financial reform Taiwa needs to make involves change in government cu ture, from a culture of proh bition to one of permissio To stimulate innovation an initiative, Taiwan mu abandon its traditional pra tice of regarding all thing that are not explicitly leg as illegal.

Bilateral investment 1952-1995



Source: Ministry of Economic Affairs

CASE STUDY **Taiwan Tobacco & Wine**

Monopoly prised loose

Taiwan Beer is to lead the competition against the entry of foreign brews

No-one could accuse Taiwan's state alcohol and tobacco monopoly of having fallen on hard times. But its long-time stranglehold on the island's vibrant "sin" market is fast being prised loose, and the sleepy government department dating back to Japan's pre-war colonial rule aims to give upstart foreign rivals a taste of their own medicine.

Liberalisation of imports has spawned a proliferation of liquor shops and wine bars offering a diverse array of exotic libations at exorbitant prices – fattened by hefty import duties – which do little to deter Taiwan's newly prosperous and label-conscious consumers.

The shelves of "mom-and-pop" stores and supermarkets alike bristle with foreign brews, ranging from the ubiquitous Heineken and trendy Corona to more obscure brands such as Red Dog and Superior – the latter being a Belgian imitator of the local favourite, Taiwan Beer.

The import invasion has pushed the market share of rice-based Taiwan Beer down to about 75 per cent from over 96 per cent just three years ago.

So the monopoly, with the tongue-twisting name of Taiwan Tobacco & Wine Monopoly Bureau (TT&W), is launching a counter-offensive.

Mr Martin Tsai, director of international business at TT&W, is using its most famous brew to spearhead an attack on overseas markets.

"We want to use Taiwan Beer as our flagship product to enhance the international image and reputation of our company," he says.

TT&W remains one of the government's biggest money-spinners with total sales of $2.8bn last year. But overseas sales amounted to a paltry $23m.

Mr Tsai wants to boost sales in existing markets and open up new markets in China, south-east Asia, eastern Europe, south America and Canada for TT&W's stable of drinks and its reassuringly-named cigarette brand, Long Life.

TT&W's sweet lychee wine sells well in France and Kaoliang, a fiery sorghum liquor, is modestly popular in South Korea. Local top-seller Shaoshing wine, a strong rice wine, has found favour in Japan.

The impetus behind the plan is Taiwan's keen desire to join the World Trade Organisation. The government has pledged to dismantle the monopoly bureau within two years in return for leading trading partners' support for Taiwan's membership.

Once sweeping reforms of the industry are complete, local and foreign beer-makers and wine-makers will be allowed to produce and bottle alcohol products.

Import duties will be reduced and rationalised, and domestic taxes on locally produced products are to be introduced.

In addition, restrictions on the advertising of alcohol and tobacco in newspapers, magazines and television will be relaxed soon.

TT&W will be restructured from a government department to a state-owned corporation. Eventually it will be listed on the Taiwan stock exchange and privatised.

In the past, TT&W had the unheard-of luxury of never needing to advertise. Those days are over. The popularity of foreign products is *rising quickly*, and TT&W's market share is slipping.

So the bureau began advertising for the first time late last year and has since spent $3.2m on advertising, an amount Mr Tsai calls "much too little."

Chinese communities across Asia and also in the west are a natural market, Mr Tsai says. TT&W's initial strategy is to place advertisements in Asian duty-free shops, in-flight magazines and trade publications specialising in tourism and the food and beverage industry. Taiwan Beer is also being offered on a number of regional airlines including Cathay Pacific, Malaysian and Singapore.

Taiwan Beer will not be as widely quaffed as many of its foreign rivals, but perhaps it may become more appreciated outside its home turf.

Laura Tyson

هكذا من الأصل

ARTS

With the relationship between Britain and mainland Europe poised in what seems a permanent state of muted crisis, there is something wonderfully apt about Lars Von Trier's *Breaking The Waves*. First, here is a Danish director setting foot on a make-believe Calvinist Scottish island to film the ill-fated romance between a Swedish oil-rig worker and a virginal local waif. (The Euro-pudding goes nordic, with a pinch of sardonic angst.) Secondly, here is a movie about a "united community" which reveals that both unity and community are fragile illusions, especially if built on the arbitrary fiats of our elders.

With the death of Kieslowski, Trier is now the outstanding film-maker in northern Europe. A post-modern Bergman crossed with a new age Welles, he throws his characters into settings that are part real, part chambers for revelation and psychodrama. *Europa* turned more witty techno-tricks than almost any narrative movie since *Citizen Kane*. And *The Kingdom* was a black comedy set in a sumptuously expressionist Danish hospital.

Breaking The Waves (opening next week) seems simpler. It offers location shooting and plain, often handheld photography. For 2½ hours the camera whirs as artlessly as a home movie as we come to know Bess (superbly played by newcomer Emily Watson), the timid imp with a history of mental illness, and Jan (Stellan Skarsgard), the friendly giant who blows in from the North Sea.

When Jan is crippled in a rig accident the film's casual-primitive style continues, though more and more it seems to combine innocence with an awed, faintly prurient curiosity. Robbed of his manhood, Jan sends Bess out to find other lovers, offering this freedom as a love gift and – through Bess's sharing with him the tales of her adventures – as the only way to keep *their* love alive and sensual.

The couple reckon, though, without Bess's near-religious notions of fidelity: alone in church she pours out her divided soul in prayer, apostrophising God and also voicing his imagined answers. And they reckon without the island's priestly elders, who begin as whiskery figures of fun and end as gaunt earthly deities.

Trier's new style refreshes his humanism, even if it reduces the rich layers of metaphor and metafiction we found in earlier works. Here the few symbolic images – such as the church steeple which has lost its bells (no prize for guessing the connection with Jan's condition) – seem plonked awkwardly into the naturalistic movie landscape. And the volume is turned up overloud on the counterpoint between Old Testament dogmatism (the elders) and the story's invitation to New Testament compassion

A rich mix of symbolism, melodrama, psychodrama and black comedy: Emily Watson and Stellan Skarsgard in Lars Von Trier's 'Breaking the Waves'

Cinema/**Nigel Andrews**

Innocence in a cold climate

(Bess, stoned and vilified becomes a near-martyr.)

Trier is nonetheless the only European director today who could *begin* to get away with such a rich mix of symbolism, melodrama, psychodrama and black comedy, wrapped in his mischievously capacious love of paradox. This is a film that pours scorn on institutionalised religion, yet ends with a barnstorming miracle. This is a film too that celebrates the human heart even while showing that, in an imperfect world, it can lead us unerringly to disaster.

★

While *Breaking The Waves* won friends at one end of this year's Cannes Film Festival, the main competition, John Sayles's overpraised *Lone Star* wowed the T-shirt and jeans brigade at the Directors Fortnight. What a fusty crowd these "alternative" cinephiles are now becoming. They used to applaud mould-breakers and Euro-magicians. Now they love second-rate new Hollywood movies that seem like xeroxes of second-rate old ones.

Kris Kristofferson plays the bad sheriff in a Texas border town who, years before, might have killed two illegal Mexican immigrants or "wetbacks". The covered-up crime is now being uncovered, after a skull is found under desert sand. New sheriff Chris Cooper vows justice, though matters are made difficult by the heavy flashback schedule and a laboured subplot, also on racial themes, about a black army officer (Joe Morton) re-bonding with his father.

The film is undoubtedly worthy. But so were Otto Preminger's worst blockbusters. Sayles brings none of the main characters to life, least of all his hole-in-the-screen hero. And we can only wince at the didactic clumsiness with which large portions of Tex-Mex history are fed to us, plus liberal gloss, via classroom scenes involving Cooper's teacher girlfriend.

★

We are surely overdue for a consumer protection society when it comes to some Hollywood films. It could be called "Off-flick". In Francis Ford Coppola's *Jack* Robin Williams is the pre-teen schoolboy with a cellular malfunction which makes his body grow faster than his mind. At 10 he looks 40. At 16 he looks like Albert Einstein. Yet he behaves throughout like Robin Williams, doing his eternal child routine: all down-turned mouth, pleading eyes and knock knees.

BREAKING THE WAVES
Lars Von Trier

LONE STAR
John Sayles

JACK
Francis Ford Coppola

THE WIND IN THE WILLOWS
Terry Jones

YIDDLE WITH HIS FIDDLE
Joseph Green

The audience suffers from sympathetic ageing. Coppola brings a brave if foolhardy panache to the enterprise and may even have intended some cunning satire. I would love to believe that the schoolfriends' multi-storey tree house, equipped with TVs and table lamps, was a parody of American consumerism manifesting itself even among the young.

But I somehow doubt it. I suspect it is just American consumerism. It runs riot like everything else in this film which never does anything by halves, though one keeps wishing it would. A little less cap-in-hand pathos would be welcome; and a little less symbolism involving butterflies. (Yes, we know they have short lives.) As for the comic potential of flatulence, if you think you saw every variation possible in *The Nutty Professor*...

In *The Wind In The Willows*, opening next week, the cream of British performing comedy is poured over Kenneth Grahame's fable with fair-to-pleasant results. Terry Jones writes, directs and plays a full-throttle Mr Toad. Steve Coogan (Mole), Eric Idle (Rat) and Nicol Williamson (Badger) riot in a computer-enhanced countryside. And the songs – well, we have heard worse, and we roundly applaud a film with the courage to deprecate one of its own knees-ups. "Did they sing that dreadful song again?", someone is asked just after escaping the Weasels.

Frankly, though, the Alan Bennett/Nicholas Hytner National Theatre staging has spoilt us for just about everything else Grahame-wise. Jones gives us energy, colour and famous comedians (John Cleese, Stephen Fry, Michael Palin as "The Sun"). Bennett and Co gave us something more: the sense of a larger England with a larger sadness, lying just beneath the beauty and hilarity.

Yiddle With A Fiddle, a vintage Yiddish musical comedy, also has its larger sadness. Filmed in 1936 among the Polish shtetls, few members of its cast would be alive ten years later. The film launches the Barbican's season of 1930s and '40s Jewish cinema, richly assembled from two decades of one culture's beleaguered exuberance.

Dance

Full of Eastern promise

In its venturesome efforts to illustrate the global diversity of contemporary dance, The Place Theatre, that tireless host to choreographic activity from Europe and beyond, has instead frequently succeeded in laying bare the standardisation which pervades every aspect of modern, urban culture.

Not that one can blame the host venue for the cultural indistinguishability of its guests. Re:orient, the theatre's annual season of dance from the Far East – Korea, Japan, Hong Kong, Taiwan and China make up this year's contingent – promises sundry unfamiliarities. But there is also much in the work of some of these featured artists which feels depressingly commonplace.

Mirage of the Wind, a solo performed by female Korean choreographer Kim Eun Hee, is bland, internationally functional fare, its most alluring component the Haegum Sanjo accompaniment – the traditional Korean stringed instrument here made to sound like a tipsy harmonica. Eun Hee, seems as partial to western contemporary dance techniques as to the stillnesses, crouches and flourishes of her more indigenous dance background. The assimilation is, for the most part, skilful enough, but it does not really serve the dancer or the work. Having conjured up half-remembered or imaginary locales, Eun Hee then adopts a rather neutral, and eventually stagnant, vocabulary in order to enter and exit these potentially intriguing, peripheral zones.

On the same bill, another Kim – the Japanese, eyepatch-wearing male soloist Kim Itoh – backed by three naked and absurdly camp disciples known as The Glorious Future, presented *Dead and Alive*. As in Eun Hee's work there are snatches of western influence in Itoh's dance theatre – principally the use of Mendelssohn and Ravel which is, at times, so ludicrously out of place with what is happening on stage. Itoh does not so much fail to discover the qualities of delicacy and bombast in the music, he *just chooses to ignore them*.

Yet the incongruous juxtaposition of elements in Itoh's work is peculiarly affective. Caught in an infra-red glow, Itoh travels *across the stage on his knees*, moving with slow, painful intent. He wears a white shift dress; his shaved head with its clump of sprouting plaits is encased in a black stocking; his wrists are locked together behind his back. Outside the theatre he would probably be mistaken for a transvestite bank robber under arrest. Meanwhile, like a Bacon painting coming to life, his partners in crime occupy and rotate within individual pools of light, displaying the sinewy outlines of their contorted bodies, hands kept firmly clasped against groins.

The work closes with a solo in which the extraordinary weightlessness and plasticity of Itoh's movement gives way to a long phrase wherein his body seems almost paralysed by a seismic, inner turmoil. And as he teeters away on make-believe stilettos, the performer's weird charisma is eloquently confirmed.

Sophie Constanti

The Re:orient season continues until October 10 at The Place.

Opera of dark, suggestive ironies

The Zemlinsky revival continues in Hamburg, reports **David Murray**

With the posthumous Hamburg premiere of Alexander Zemlinsky's last opera, composed almost 60 years ago, an era has been rounded off. It is the Second Viennese School era, of which bigger last bricks were put into place when Schoenberg's (uncompleted) *Moses und Aron* and Alban Berg's (complete) *Lulu* were performed, long after their deaths.

Yet Zemlinsky's *Der König Kandaules* was the last major work of a composer whose ties to the Schoenberg circle were of the closest. He was Schoenberg's one-time teacher, and later his brother-in-law; Berg quoted a theme from his *Lyric Symphony* in his own *Lyric Suite*. In recent years there has been a Zemlinsky revival: besides the *Lyric Symphony*, his brilliant little opera after Oscar Wilde's *Birthday of the Infanta* (seen at Covent Garden), and his string quartets.

Other operas have been appearing on CDs, but *King Candaules* (based on Gide's play *Le roi Candaule*) had to wait until now for its orchestral completion by Antony Beaumont. Zemlinsky finished the short-score in 1936, before fleeing to America. There, however, he was advised that the immoral story would be unacceptable on the operatic stage: so instead of completing the full score he began thinking of other projects, but died as the second world war broke out.

In Gide's fable, Candaules is the immensely rich and generous king of ancient Lydia, happy only if he can share his wealth with all his friends. At one of his lavish banquets, three fateful things happen. Candaules makes his wife Nyssia unveil, reluctantly, so that his friends too can rejoice in her beauty; a golden carp brought by the poor fisherman Gyges proves to contain a magic ring that confers invisibility; and Gyges, learning of his own wife's unfaithfulness, slays her.

But Candaules is strangely drawn to Gyges: soon he is urging him to use the ring so that he can watch Nyssia undressing for bed, and then to take Candaules' own place with her overnight. In the morning, when Nyssia learns of the deception, she commands Gyges to kill her husband, and makes him the new king with herself as queen.

The suggestive ironies of the fable are darkly matched in Zemlinsky's music, seemingly transparent but queasy with implications. As far as one could tell, Beaumont's labours have been admirably faithful. The scoring is beautiful and often surprising, with many "oriental" touches – like Zemlinsky's *Der Kreidekreis* just earlier, but unlike it a full-blooded opera.

The Hamburg Opera had Gerd Albrecht, a Zemlinsky devotee, as conductor, and a strong team of Gyges' flatterers and hangers-on. Of the three principals, Nina Warren's Nyssia was properly shy and lovely (though the voice betrayed some wobble), and the baritone Monte Pederson – remembered here for his *Lear* – was a magnificently brooding, wounded Gyges. As Candaules James O'Neal, replacing an indisposed Thomas Moser, was not in the same class: he sang well enough, but made far too little of this hyper-aesthetic King's nervy, self-conscious character.

The story will not be fully told until we have a Candaules and a Gyges who are equal to one another. Günter Krämer's staging was thin on psychological detail, though Gottfried Pilz's set (with a large swimming-pool around which the banqueters preened and disported themselves) was striking. All gratitude to Hamburg, certainly; but before long, perhaps another production will expose the ironic force of the opera to more pointed effect.

In repertoire at Hamburg until October 25.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● La Petite Bande and Collegium Vocale: with conductor Sigiswald Kuijken, soprano Sandrine Piau, alto Marijke van Arnhem, tenor Jean-Paul Fouchécourt and bass Harry van der Kamp perform Haydn's Quae Res Admiranda and Dictamina Mea; 3pm; Oct 12

■ ATHENS

CONCERT
Athens Concert Hall Tel: 30-1-7282333
● Camerata Academica des Mozarteums Salzburg: with conductor Sándor Végh and violinist Leonidas Kavakos perform Mozart's Violin Concerto No.5, K219, Cassation No.1, K63 and Divertimento No.10, K247; 8.30pm; Oct 12

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Rundfunk-Sinfonieorchester Berlin: with conductors Robin Gritton and Heinz Wallberg and the Rundfunkchor Berlin perform works by Bruckner; 8pm; Oct 13
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Deutsches Symphonie-Orchester Berlin: with conductor Claus Peter Flor, soloists Claudia Barainsky, Rosemarie Lang, Siegfried Lorenz and the Rundfunkchor Berlin perform works by Bruckner and Szymanowski; 8pm; Oct 11, 12

■ COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Danish National Radio Symphony Orchestra: with conductor Ulf Schirmer and baritone Boje Skovhus perform works by Pade and Bruckner; 8pm; Oct 11

DANCE
Det Kongelige Teater Tel: 45-33 69 69 69
● A Midsummer Night's Dream: a choreography by George Balanchine to music by Mendelssohn, performed by the Royal Danish Ballet. Soloists include Silja Schandorff and Aage Thordal Christensen; 8pm; Oct 11

■ DENVER

EXHIBITION
Denver Art Museum Tel: 1-303-640-2793
● Photography & Beyond in Japan: this exhibition examines the impact of photography on Japanese contemporary arts. It presents 90 works created in the past 15 years by 12 Japanese artists. The exhibits range from conventional prints to sculptural works and formats that reassess the medium, including three-dimensional images and computer-synthesised pictures; from Oct 12 to Jan 5

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● RTE Concert Orchestra: with conductor Proinnsias O Duinn, soprano Orla Boylan, baritone Wojtek Drabowicz and presenter Máire Nic Gearailt perform excerpts from operas by Mozart, Puccini, Verdi and Bizet; 8pm; Oct 11

■ HELSINKI

EXHIBITION
Amos Anderson Art Museum Tel: 358-0-640221
● Travels with Parviainen. Oscar Parviainen (1880-1938): travelling retrospective exhibition introducing the work of the Finnish artist Oscar Parviainen. The exhibition features oils, watercolours, drawings and prints dating from the artist's student days through to the 1930s. In Parviainen's works – many of them inspired by his travels – various elements of earlier periods in art history are combined, including the Renaissance, Baroque, Romanticism and late 19th century painting. Most of the works come from the Parviainen estate; to Oct 13

OPERA
Opera House Tel: 358-0-403021
● Il Barbiere di Siviglia: by Rossini. Conducted by Kari Tikka and performed by the Finnish Opera. Soloists include Klas Hedlund, Kalevi Olli and Riikaa Hakola; 7.30pm; Oct 12

■ HONG KONG

CONCERT
Concert Hall/HKCC Tel: 852-27342809
● Hong Kong Philharmonic Orchestra: with conductors David Atherton and Chang Wing Wah, and pianist Artur Pizarro perform works by Beethoven, Rachmaninov and Chang Wing Wah; 8pm; Oct 11, 12

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● City of London Sinfonia: with conductor Richard Hickox, cellist Alexander Baillie and soprano Patricia Rozario perform works by Britten, Guy and Keal; 7.30pm; Oct 12
Royal Festival Hall Tel: 44-171-9604242
● London Philharmonic Orchestra: with conductor Roger Norrington, tenor Maldwyn Davies and horn-player Richard Bissill perform works by Vaughan Williams and Britten; 7.30pm; Oct 11

OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● La Bohème: by Puccini. Conducted by Charles Mackerras, performed by the Royal Opera. Soloists include Angela Gheorghiu, Patricia Racette, Roberto Alagna and Simon Keenlyside; 7.30pm; Oct 11, 14

■ MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Orquesta Sinfónica de Madrid: with conductor Rafael Frühbeck de Burgos and guitarist Pepe Romero perform works by Turina, Palomo, Prieto and Ravel. Part of the Festival de Otoño; 7.30pm; Oct 11

■ NEW HAVEN

EXHIBITION
Yale University Art Gallery Tel: 1-203-432-2800
● Thomas Eakins: The Rowing Pictures: this exhibition hosts all known rowing pictures of the American realist Thomas Eakins (1844-1916). The nine oil paintings and fourteen drawings were made between 1870 and 1874. Eakins investigated in his rowing pictures the problem of depicting the physical motion of rowing; from Oct 11 to Jan 14

■ NEW YORK

FESTIVAL
Alice Tully Hall Tel: 1-212-875-5050
● New York Film Festival: 34th edition of this international film festival; to Oct 13

■ PARIS

EXHIBITION
Musée d'Orsay Tel: 33-1 40 49 48 14
● Paul B. Haviland, photographe (1880-1950): exhibition featuring about 40 works by photographer Paul B. Haviland, a member of the Photo-Secession. His works include portraits, nudes and urban landscapes; from Oct 14 to Jan 5

OPERA
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Così fan Tutte: by Mozart. Conducted by Jean-Claude Malgoire and performed by La Grande Ecurie et La Chambre de Roy. Soloists include Danielle Borst, Sophie Fournier, Hubert Claessens and Patrick Donnelly; 7.30pm; Oct 11

■ SYDNEY

EXHIBITION
Art Gallery of New South Wales Tel: 61-2-2251700
● Arthur Streeton 1867-1943: large-scale exhibition celebrating the work of this Australian artist. The display includes paintings and watercolours showing the diversity of his work; from Oct 11 to Nov 24

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

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Financial Times Business Tonight

COMMENT & ANALYSIS

Economic Viewpoint · Samuel Brittan

No fiscal crisis for now

Although fears that the UK will need a post-election emergency Budget look unfounded, the latest analysis reveals more deep-seated problems

As usual the Green Budget produced by the Institute for Fiscal Studies, in conjunction with Goldman Sachs, provides the outsider with the best available view of the fiscal outlook before the chancellor announces his Budget at the end of November. Goldman Sachs, which is responsible for the macro side of the document, operates with a view of the economy fairly well in line with mainstream thinking, as does the Treasury.

One's first feeling in looking through the document is relief. As elections approach there are always horrible presentiments of skeletons in the cupboard and emergency tax-raising Budgets from a post-election government of either party.

A specific reason for anxiety on this occasion has been the previous deterioration in the public finances. In the autumn of 1994 the Treasury triumphantly projected a declining series for the public sector borrowing requirement (PSBR). This was supposed to have fallen to £14bn in this financial year, 1996-97, and to have vanished altogether by 1998-99. In fact the projection for 1996-97 was raised to £22bn last autumn and again to £27bn in this summer's official economic forecast – nearly twice the original projection.

Now, however, the Green Budget expects the outturn for the present financial year to be slightly better than the Treasury's summer projection. More important: it sees the setback as a once-for-all pause before the downward path in public sector borrowing is resumed. Indeed it foresees the end of all public sector borrowing by 1999-2000.

As for the 1996-97 Budget to be presented by Mr Kenneth Clarke, the chancellor, on November 26, the words of the IFS authors are more severe than their arithmetical reasoning. They warn, in tones worthy of a Treasury knight, that to cut taxes now "would be dangerous". But their detailed analysis shows that, because of lower inflation, public spending plans could be cut by £3bn in cash terms next year and still leave real public spending slightly higher than originally planned.

Indeed if Mr William Waldegrave, the chief secretary, can achieve cash cuts of slightly less than this amount and the chancellor can scrape together £1bn of extra revenue by tightening up indirect taxes, allowances or exemptions, there could be £3½bn to remit in "income tax cuts". (The cuts are "so-called" because the percentage of national income taken in tax normally rises even with unchanged rates under a progressive tax system – the process of "fiscal drag".)

The chancellor should thus be able, on Green Budget arithmetic, to reduce the basic rate of income tax by 1½p, increase personal allowances (thereby raising the tax starting point), extend the lower 20p band or achieve some compromise between the three. As the IFS points out, "none of these measures helps the poorest 30 per cent of the population" – they are already outside the tax net.

Why then is the IFS so disapproving of "tax cuts"? The reason given is that medium-term public spending plans are "unprecedentedly tight", involving real increases of only ⅓ per cent per annum. No government should count in advance on achieving such control.

The Green Budget arithmetic is however particularly reassuring about the medium term. On present projections the UK will in 1997-98 undershoot the target for the deficit of 3 per cent of gross domestic product set in the Maastricht treaty – probably earlier than France or Germany.

The IFS suggests two alternative medium-term fiscal objectives tighter than the Maastricht criterion and likely to appear in the stability pact for countries in the EU's monetary union. The stricter is the "golden rule" by which the PSBR would not exceed public sector capital expenditure. This would allow borrowing of about 1 per cent of GDP.

The more liberal would be a borrowing requirement which would stabilise the public-sector debt as a ratio of GDP. This would require a PSBR of some 2½ per cent of GDP. On the mainline projection in the adjoining table the PSBR will have fallen well below 2½ per cent of GDP in 1998-99 and have been eliminated altogether by 2000.

Suppose however that present spending guidelines cannot be held and public expenditure grows in line with underlying long-term growth – put at 2¼ per cent per annum. Even then the trend, according to the Green Budget, will still be towards eliminating the PSBR, although slightly later. The Maastricht criterion would still be met in 1997-98 and the PSBR range suggested by the IFS of 1 to 2½ per cent of GDP met in the following year.

The medium-term reassurance comes from two forces. The first is that there appears, after all, to be no deterioration in the tax yield from a given GDP. The fall in the ratio of value added tax and income tax to GDP last year seems to have been a once-for-all shift.

Second, projections of real growth prospects for the UK economy have improved. Goldman Sachs now predicts a 3¼ per cent increase in GDP next year on the basis of a growth acceleration which has already started – ignore the thumbs-down signal from the August industrial production index which has a long record of understating economic performance.

But more fundamental is the increasingly optimistic view of how rapidly the economy can grow without inflationary pressures.

We should know by now that short-term setbacks can lead to a revival of medium-term pessimism. We just have to live with these uncertainties. The worry raised by the Green Budget is different. It is that some 60 per cent of public spending is now devoted to social security, education and health. These are superior goods for which demand rises faster than GDP.

Even if, once more, public spending rises in line with GDP growth, this will not be enough to satisfy public demand for these services at higher real income levels. The result is they will have to make more use of private-sector provision. This is already happening with pensions and is likely to occur with health and education.

Many reformers would like to encourage this trend, but to ensure provision is adequate by making private finance compulsory. There is a genuine dilemma here. I find it difficult to get very excited about a so-called rolling back of the frontiers of the state in which people are still told what to do, but have to make their own arrangements with strictly regulated private suppliers.

On the other hand, going the whole hog and letting people decide for themselves is not all that attractive either. In education parents are not making decisions for themselves but for their children. In terms of old age provision it seems hard to penalise people for insurance arrangements they failed to make 30 or 40 years ago. Nor would many of us really want to deny modern medical treatment to people because of earlier insurance omissions.

But it is these issues which we should be discussing rather than whether Mr Clarke can cobble together some headline tax rate reductions because of the peculiarities of a progressive tax system.

UK government finances projected

£bn	1996-97	1997-98	1998-99	1999-2000	2000-01
General government receipts	280.9	299.0	320.6	342.3	364.12
General government expenditure	308.1	320.5	331.3	342.1	354.6
PSBR	26.2	21.2	10.7	-0.2	-9.6
General government receipts as % of GDP	37.8%	38.2%	38.8%	39.2%	39.5%
General government expenditure as % of GDP	41.3%	40.4%	39.5%	38.6%	37.9%
PSBR as % of GDP	3.5%	2.7%	1.3%	-0.0%	-1.0%

Source: Green Budget

BOOK REVIEW · Christopher Parkes

HIT & RUN – How Jon Peters and Peter Guber took Sony for a Ride in Hollywood
By Nancy Griffin and Kim Master
Simon & Schuster, 479pp, $25

Repellent kids in a candy store

Picking over the bones of a tale which has been dug up and reburied as often as Sony's Awful Adventures in Tinseltown is bound to be an unsavoury experience. The saga of the Japanese company's calamitous 1989 purchase of Columbia Pictures, the illustrious but lossmaking studio, has become firmly established as a lesson in business history.

But the story continues. After months of hovering, the axe recently fell on Mark Canton, the breezy head of Columbia Studios, at the end of a sequence of mishaps and a bad film season. He was quickly followed by his boss, Alan Levine.

Columbia and TriStar, its sister studio, languish at the bottom of the big studios' market-share rankings. The group's film and television operations have been hit by defections and sackings.

Nobuyuki Idei, Sony president, continues to face strategic dilemmas which are no nearer a solution than when Peter Guber and Jon Peters came on board seven years ago. The gap between the cultures of Sony headquarters in Tokyo and its US base in New York has yet to be bridged. And, as this book illustrates, the gulf between the conventions which govern business behaviour in New York and Los Angeles has yet to be measured.

Akio Morita, Sony chief at the time of the $5bn-plus acquisition, was sensitive to the differences between the two countries' management styles. Hurt by media talk of a cultural takeover, and conscious of his company's inexperience in film-making, he responded by promising Sony would not interfere in the Columbia management. He left appointments largely to New York power-brokers and Hollywood backscratchers.

As a result, he ended up with a team headed by a brace of film producers characterised by the book as a dizzy pair of Hollywood under-achievers and over-spenders. In spite of their involvement in the first *Batman* film, Guber and Peters had no experience of running a studio, but Sony bought their private company for $200m, and signed them up for $2.5m annual salaries each plus large bonuses – setting new standards for Hollywood extravagance.

"Within the movie community, disbelief quickly turned to envy. Every executive in town started to feel ripped off," the authors say. "One major studio chairman phoned another and said: 'If they're worth half a billion, I'm worth $1bn, and you're worth $1.2bn.' The Sony deal set off a round of inflation that eventually touched everyone: executives, actors, directors, agents."

Vulgar and intemperate in its use of unattributed quotes, *Hit & Run* is in many ways a repellent chronicle. Guber and Peters, kids in a candy store, gorged themselves and their cronies in the simple-minded belief, the authors say, that creating the perception of a lush, exciting creative environment would attract talent and profits.

Almost the only characters to emerge with any credit from the authors are the Hollywood wisecrackers and media onlookers who foretold calamity and spread the word: "Pearl Harbour revenged." This xenophobic verdict on the biggest Japanese acquisition of a US company was in keeping with the times, when trade tensions between the US and Japan were at a peak.

As the 1990 recession descended and the excesses grew unstemmed, Columbia invited first ridicule and then pity. Anti-Japanese feeling spurred by Tokyo's alleged "cultural invasion" of Hollywood faded. "Columbia's new owners were having their money spent so fast that people almost felt sorry for them. Why bash the Japanese when Guber and Peters were doing such a good job of it?"

This is where the authors – despite the potential benefits of hindsight – miss the point. They are having so much fun telling their rollicking tale that they neglect even to consider that, rather than feeling sorry for Sony, Hollywood was starting to feel sorry for itself.

Guber and Peters found no shortage of passengers on their five-year "ride" at Sony's expense. At the same time, the reader is expected to swallow the notion that the film industry was in some way coerced into aping the financial excesses of these two allegedly risible beginners.

However comforting it may be for Hollywood, *Hit & Run*'s core thesis that all the blame for the cost inflation and shrivelled profitability that haunt the film industry today can be laid at the door of Sony's naive Japanese management is self-serving and unjust.

The authors' prologue, taken from the script of *The Magnificent Seven* and aimed at Sony, would have served better as an epilogue to an unhappy period in movie-dom's history: "If God didn't want them sheared, He would not have made them sheep."

Hit & Run *is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK*

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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A dream, not an investment

From Mr Keith Wedmore.

Sir, I have wanted to see a Channel tunnel built for 50 years, ever since I was, what, 14? I took the first chance I could to help make one – I took shares in Eurotunnel on their first offer in 1987. Mr David Sawers, (Letters, October 8) claims we who have lost money (and we have) made an "elementary error" and should have studied cost estimates etc, more. How wrong he is, and how cynical. I was under no illusion that this was an *investment*. I knew about the Panama canal, the early railroads and the rest; who didn't? But it was my one patriotic share purchase. I paid to have the tunnel built. It was. I am glad.

Last April I had the dream of my life, I rode London to Paris on Eurostar first class. A sorrow of my life (having lived in the US, Canada and UK) has been the stupidities which chauvinism causes in each of those countries and I suspect in France too. Does your correspondent really imagine that ready contact will *not* lower barriers? Challenge intelligence? The increasing popularity of the tunnel and the spread of internationalism, of which the FT is just an example, mean that, try as I might as I swallowed the *petits fours*, I could not evade the thought that a dream was realised, and more than one folly helped to rest.

Keith Wedmore,
5 Cornelia Avenue,
Mill Valley,
California 94941-1840,
US

Prudence dictates: if in doubt, stay out

From Dr D.R. Cooper.

Sir, In the same edition: first, a report of comments by Hans Tietmeyer, president of the Bundesbank, in which he points out that Emu is meant to last, and the Maastricht treaty provides no exit ("Bundesbank warns over Emu", October 8); and second, an article by Martin Wolf in which he eventually concludes, on balance, that the UK should give a "qualified yes" to Emu – and that on vague political, *rather than economic*, grounds ("A qualified yes to Emu").

It is hard to see the sense in this conclusion, even without picking at the more questionable arguments in his article. Why should we commit ourselves to such a fundamental and irreversible change, when it is proving so difficult to identify clear and significant potential benefits? There can only be one prudent answer: if in doubt, stay out.

Incidentally, Martin Wolf warns against the "marriage ending in divorce". That is precisely how I felt at the time of the 1975 referendum: but like many others I now regret that I voted to continue the marriage.

D.R. Cooper,
14 Belmont Park Avenue,
Maidenhead, Berks SL6 6JS,
UK

From Mr Robert Harrison.

Sir, Martin Wolf writes ("The danger of dithering", October 1) that the UK's indecision about joining Emu is tantamount to a betrayal of democracy.

It is also a betrayal of democracy for the people of the UK not to have the right to make their own decision on what is probably the most important issue before us in 50 years.

A referendum on our whole future in Europe must be held – let the people decide.

Robert Harrison,
Cotswold,
Southmeads Road,
Oadby, Leicester, UK

US opinion on Israel

From Mr Paul P. Sassieni.

Sir, The one-sidedness of your editorial "Netanyahu's obligations" (October 1), starting with the title, is disappointing. You have re-stated the Palestinian position without any hint of balance. True, the Palestinians made far-reaching concessions at Oslo. Didn't the Israelis make even a slight concession in agreeing to give up control of the Palestinian population centres? Yes, the Palestinians are angry. But don't the Israelis have cause to be even slightly miffed? Yes, the Israelis should fulfil their obligations under Oslo. But shouldn't the Palestinians also do so? Yes, Netanyahu has failed to withdraw Israeli troops from Hebron. But do you really have no understanding of their reticence to do so? You also display an incredible lack of knowledge of US public opinion. In fact, US public opinion overwhelmingly supports Israel because thankfully the majority can discern right from wrong, democracy from dictatorship, truth from propaganda, and fairness from one-sidedness.

Paul P. Sassieni,
P.O. Box 95,
Boston, MA 02101, US

Olivetti strategy aimed at rebuilding shareholders' value

From Mr Roberto Colaninno.

Sir, We have chosen not to respond to the repeated attacks on Olivetti in the Lex column until we had presented our forward strategy to our shareholders.

Now that strategy has been made public, we were not surprised to see yet another attack in your column ("Olivetti", October 6). There are a number of errors and misperceptions in the piece which warrant a response.

First, the De Benedetti family does not control the group's board. There is one member of the De Benedetti family on the board, Rodolfo De Benedetti, a highly experienced Italian industrialist with an outstanding business record in his own right.

The board of Olivetti has, as its first priority, the rebuilding of shareholders' value.

In that and every other respect, Mr Carlo De Benedetti, who owns indirectly 14 per cent of Olivetti, will be treated in exactly the same way as any shareholder in the company. Investors need not "doubt whether the group is being run in their interests". It is.

Lex grudgingly concedes that our asset sales strategy is the right one, but even criticises that.

I want to underline what I said in my presentation to our shareholders. The development of the telecommunications activities and the systems and services area represents our core business. We also intend to remain majority shareholders of Omnitel and to continue to develop Infostrada.

In so doing, we will pursue a strategy based on an increased integration between information technology and telecommunications, which represent the real and specific mission of our group.

I also made it clear that the board's strategy is to enhance shareholders' value in Olivetti and not to run the company down by selling everything that could be sold, as Lex appears to suggest. That course of action would be damaging to the interest of our shareholders. We do not intend to accept Lex's advice on it.

Robert Colaninno,
chief executive officer,
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COMMENT & ANALYSIS

FINANCIAL TIMES
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Thursday October 10 1996

The lesson of Lisburn

By accepting responsibility for Monday's double car bomb attack on the British army base at Lisburn, the IRA has finally squashed any hope that Sinn Féin, its political wing, will join the present phase of Northern Ireland peace talks.

The ceasefire, which ended in mainland Britain on February 9, is now clearly over within Northern Ireland too. It is no good expecting Sinn Féin to condemn the return to violence, any more than the British and Irish governments can be expected to go back on their insistence that the ceasefire be restored as a precondition for Sinn Féin's admission to the talks. Were they to drop this precondition, the talks would become meaningless anyway, since even the most moderate unionist would not sit with Sinn Féin in such circumstances.

It is very much to be hoped that the loyalist paramilitaries will refrain from retaliating, thus enabling their political representatives – the Progressive Unionist and Ulster Democratic parties – to remain part of the peace process, in which they have played a constructive role.

But the inclusion of paramilitaries or their political representatives can no longer be treated as an essential ingredient of the peace process. That approach has now clearly failed – not through any fault of Mr John Hume, leader of the main nationalist party in Northern Ireland (the SDLP), who has pursued it indefatigably. He would say that the fault lies partly with the British government, but overwhelmingly it is the fault of the IRA, whose conversion to non-violence proves to have been tactical, temporary and insincere.

The time has come now for the parties which genuinely believe in peace and democracy, on both sides of the communal divide, to stop arguing about the conditions on which Sinn Féin might be admitted to the talks, and to start serious work on the substance of a political settlement which they and their supporters can accept.

That means that the "decommissioning" issue – which in any case was already dealt with by the talks chairman, Senator George Mitchell, in his report last January – should now be firmly laid aside. To make progress on political issues dependent on the speed at which the IRA disarms, when the IRA has no intention of disarming, is to make the IRA the large and unnecessary present of ensuring that no progress can happen in talks at which it is not represented. The unionists, of all people, should not want that.

Instead, the unionists and the SDLP should get on as fast as possible with talks on substance. On power-sharing within the province, their positions are already close. The main difficulty is the "Irish dimension", which is essential to the self-respect of nationalists but still seen as deeply threatening by unionists. Both should devote all possible good will and imagination to finding a formula for north-south co-operation which satisfies the former without frightening the latter.

Both need to understand that they each have a stake in the other's success. Their chances of defeating their respective extremes are actually far better if they stand together than if they compete in mutual recrimination. In this, both sides can be the gainers.

Latin elections

Fear of dictatorship led the writers of most Latin American constitutions to bar presidents from serving successive terms in office. But now, a growing band of presidents in the region wants to lift the ban on re-election.

This might be seen as a sign that authoritarian rule is back in fashion, but it would be a mistake to draw this conclusion. In Latin America's turbulent history, such prohibitions have not stopped dictators from hanging on to power. Moreover, the rules often weakened the ability of elected administrations to govern.

The president of Ecuador, Mr Abdalá Bucaram, only two months into his four-year term, announced this week that he wanted to change the constitution to allow him to run again. The president of Brazil, Mr Fernando Henrique Cardoso, is also trying to secure political support for his efforts to alter Brazil's basic law to the same end. The trend is spreading to Asia as friends of President Fidel Ramos of the Philippines press the case for re-election.

They are following the example of Mr Carlos Menem and Mr Alberto Fujimori, the presidents of Argentina and Peru, who both altered their constitutions, and won the subsequent elections.

Both won second terms because voters believed them to have dealt successfully with their countries' problems.

Giving voters the chance to do this is good for democracy. When a term of office is only four years – as in Ecuador and Brazil – the case for a successive term is strengthened, since the period between assuming the reins of power and starting the next presidential election campaign is too short to pursue a full programme. Mr Bucaram's eccentric behaviour may not have universal appeal, but if he fails as president, he will be voted out of office.

The case for re-election is strongest in countries where elections are fair, as most are now, where the legislature and judiciary are independent and where the advantages of incumbency, for example in access to the media, are not excessive.

Even in other countries, such as Peru, where all these conditions do not apply, the length of a president's tenure is much less important than the vigour of the institutions that counterbalance his power. But in most, the possibility of re-election is no more objectionable than in the US or Europe.

Curbing strikes

Proposals to curb the powers of trade unions are meat and drink to Conservative party conferences. Mr Ian Lang, the trade and industry secretary, has come up with some ingenious sounding ideas to curb strikes in public services, which have been a real source of irritation in recent months. But whether they deserve to be implemented is another matter: as things stand, his plans would probably create as many problems as they would solve.

The idea is that unions in essential public services such as railways, the Post Office and the fire service should lose their immunity from legal action for damages. So people who suffered financially from a strike could use the courts to sue where a strike was, in Mr Lang's words, "disproportionately damaging to the public."

Mr Lang has wisely ignored demands from some Conservatives to extend the no-strike rule which covers the police. He has also been right to stay clear of Labour's suggestions for extending binding arbitration in essential services. These approaches would be expensive, because of the cost of compensating workers for losing their rights. This is demonstrated by the experience of the police, whose pay has consistently risen faster than that of other public sector workers.

In practice it would be very difficult for courts to determine what damage was "proportionate". Would three one day strikes be more acceptable than one three day strike? Judges would not relish creating consistent case law from the rough-and-tumble of industrial relations.

The problem should be kept in perspective. Even though the flurry of strikes in the summer resulted in a brief upsurge in the number of days lost through industrial action, there is no evidence of a long-lasting resurgence in trade union militancy. Co-operation characterises most industrial relations – even in the public sector, where unions have accepted persistent job cuts with little more protest than their private sector counterparts.

The best way to reduce the impact of future strikes is not by tinkering with the law but by promoting more privatisation wherever sensible, and by encouraging competition: the postal services qualifies for both sets of treatment. Workers will strike less often if they know they are giving away business to their competitors.

The battle of the bulge

European banks are poaching high-flyers to establish a foothold in the US in their drive for globalisation, says Tracy Corrigan

Europe's usually staid commercial banks have been making the news on Wall Street this year by luring top talent from US investment banks and brokers with offers of huge, guaranteed remuneration packages.

Union Bank of Switzerland and Deutsche Bank are among the European banks that are investing large sums to recruit high-flying corporate financiers and traders in an effort to establish a US presence. So far, the Europeans have managed to capture only a small share of business in any of the main financial markets in North America, but half a dozen are determined to succeed there as part of their drive to become global investment banks.

"In order to be a global leader in wholesale finance, you have to have a very credible presence in North America," says Mr Richard Capone, chief executive officer of Union Bank of Switzerland in North America. "It's indispensable."

The Europeans are already more than a step behind top US investment banks such as Morgan Stanley and Merrill Lynch in the race to join the "global bulge bracket". This is the investment banking elite which is expected to emerge as the boundaries between domestic financial markets blur and emerging markets become integrated into the global economy.

The self-styled global investment banks aim to straddle the world's financial markets, earning large fees on cross-border business. For example, when countries privatise state assets, they will advise on, structure and underwrite the transaction and then sell a large proportion of the shares to foreign investors.

In pursuit of this elite status, the big US banks have already established themselves in Europe, where they are winning a substantial chunk of lucrative mergers and acquisitions and underwriting business. One reason for this is their location at the centre of the biggest pool of investment capital in the world.

The European banks have also been building up their positions in Europe, with a wave of acquisitions, including those by the German and Swiss commercial banks of British investment banks such as Kleinwort Benson and S.G. Warburg. But the only European bank that has gained a strong position in the US market is Credit Suisse, which first took a stake in First Boston, a leading US investment bank, back in 1978.

UK commercial banks have also made some acquisitions in the US: for example, National Westminster has bought Gleacher, an M&A specialist; and Barclays has acquired Wells Fargo Nikko, a fund manager. However, these have been on a relatively small scale.

Most of the European banks have sought to establish themselves in the US by building operations from scratch, rather than buying existing businesses. One reason may be that the Swiss and Germans are still having trouble digesting their UK acquisitions – there is a feeling that "organic growth may be easier to manage", says one banker.

Another reason may be that the European banks are unexcited by what is on offer in the US. There are some strong domestic brokers and investment banks, but few cover the range of businesses, from trading to corporate advisory work, which the Europeans aspire to provide.

"None of the candidates would have gotten us exactly where we wanted to be," says Mr Carter McLelland, Deutsche Morgan Grenfell's chief executive in the US.

Mr Callum McCarthy, chief executive of BZW North America, says Barclays is prepared to invest on a substantial scale "where it sees value". But he is sceptical about whether it is worth acquiring US stockbrokers, when the Glass Steagall law separating commercial and investment banking is finally jettisoned.

"Lots of broker-dealers will be bought and, as in the UK's Big Bang, a lot of them would have gone bust, if they hadn't been bought," he says.

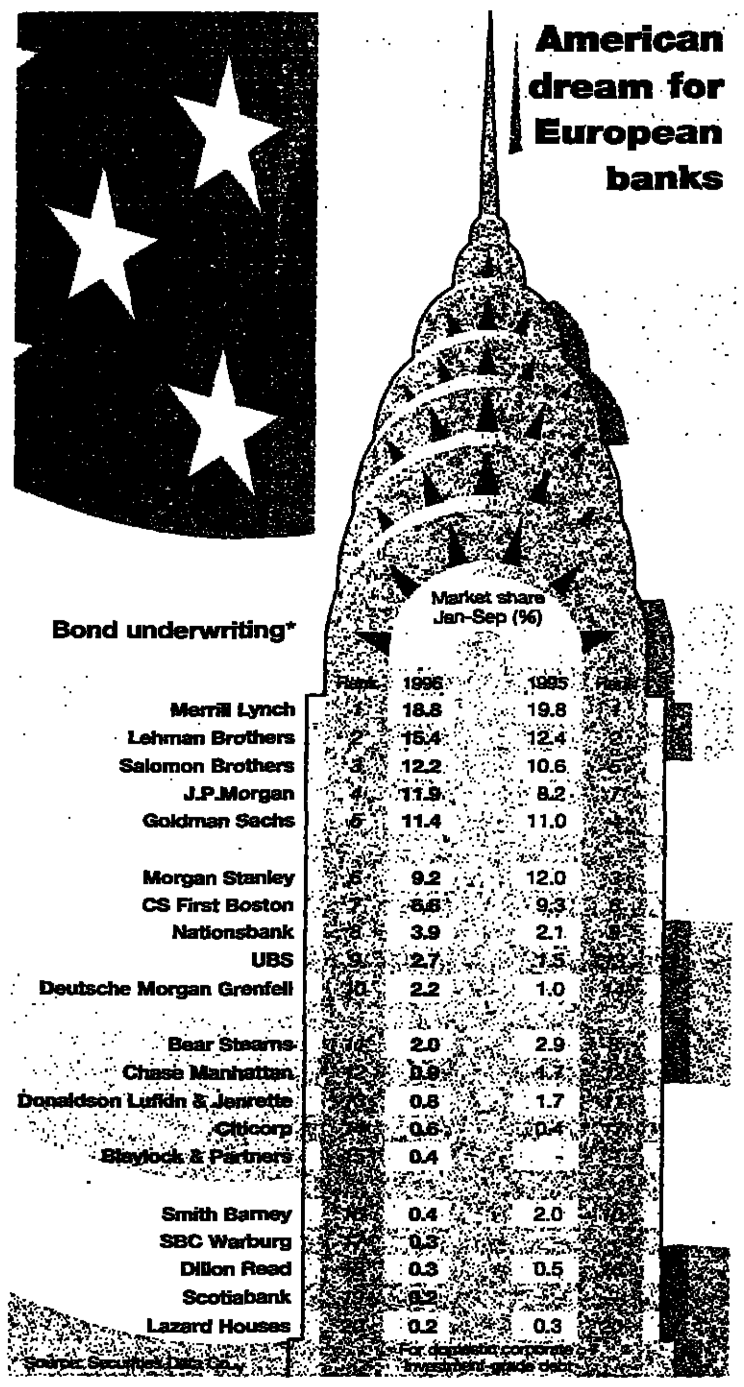
According to one mergers and acquisitions adviser, the Europeans have had a good look, but "the best investment banks are unaffordable, and the others they probably wouldn't want".

Two strategies can be distinguished in the Europeans' attempts to establish themselves in the US. One is to target cross-border rather than purely domestic business – for example, selling European equities to US institutions.

However, this could restrict the Europeans to niche businesses – even though some could be highly profitable. And such a niche position could be vulnerable to competition from the big US firms which now have large European equity operations and may be able to offer a service comparable with that of the European "specialists".

In any case, if banks such as SBC Warburg and BZW accept a niche position in the US – even a successful one – it is unlikely to bring them the credibility needed to be a member of the global elite.

"We are not interested in being a medium-sized business," says Mr Hans de Gier, SBC Warburg's executive chairman. He says his bank will stay out of those markets where it cannot have a dominant position.



The other strategy is to go head to head with US firms in the US financial markets.

One that has followed this path is NatWest, which has bought in domestic mergers and acquisitions and bond-trading expertise by acquiring smaller firms. "We are looking to build up a major *domestic* presence," says Mr Peter Hall, president of NatWest Markets US. "We do not believe we can aspire to be a global leader without that."

UBS, by contrast, has built up a strong position in bond underwriting, with some high-profile hirings. However, critics point out it is easy to buy market share in the bond underwriting business, by subsidising uneconomic transactions.

Neither of these has made the same splash as Deutsche Morgan Grenfell. This most ambitious of the European pretenders is a latecomer to the US market, and has expanded rapidly by poaching individuals and teams.

Managing such rapid growth may prove tricky. Deutsche Morgan Grenfell's US staff has grown 50 per cent this year, from 1,200 to 1,800. Mr McLelland, the company's US chief, says it is quickly developing its own entrepreneurial culture. "There are 40-odd people at managing director level who have come from top US firms. They were doing a good job but they were stuck behind some old guy like me. We are attracting a more entrepreneurial crowd."

And so far, no European bank has yet managed to establish a viable presence in the domestic market. "It is like trying to attack the US soft drinks market with a European brand," says one sceptical European banker. "You can do it, if you throw enough money at it, but you are likely to destroy shareholder value in the process."

However, difficult though breaking into the bulge bracket is, it is not impossible.

J.P. Morgan, once barred from investment banking under the Glass-Steagall Act, has taken almost 10 years to break into the business, but its strategy of developing in-house talent has paid off royally. Even in merger and acquisition advisory work, viewed as the hardest nut to crack, it now ranks sixth in the US, according to Securities Data.

The European banks lack J.P. Morgan's strong US corporate client list, which is why it will be harder for them to break through the barrier. But they will certainly need to replicate J.P. Morgan's staying power.

In theory they should be better placed to take a long-term strategic view about entering the US market. US bankers often say they envy the ability of continental European banks – unfettered by active shareholders demanding short-term returns – to take losses over many years when entering new markets.

Yet one reason for the continental Europeans' enthusiasm for the investment banking business is their desire to boost their notoriously low return on capital – less than 10 per cent in many cases. The last thing they want is to see those returns further depressed by heavy investment and poor performance in the US.

The investment banking business is notoriously volatile: next time the market turns down, the European banks might find further losses hard to stomach after years of pouring money into winning market share.

But the top US investment banks cannot afford to be complacent. Some of the leading Wall Street firms of the 1970s and 1980s no longer exist – for example, Drexel Burnham Lambert, which created the junk bond market of the 1980s almost single-handedly, has collapsed while other former bulge bracket firms, such as Dillon Read, have seen their glory fade.

A bear market could be the opportunity the Europeans need to make their decisive thrust, if it reveals some chinks in the armour of today's apparently unassailable houses.

Executive stocking-fillers

What do you give a top executive at a US investment bank who is responsible for a business sector such as equities or mergers and acquisitions and earns several million dollars a year? The answer for some European banks is more.

Deutsche Morgan Grenfell and other aggressive European poachers have offered to double some recruits' packages, and to guarantee earnings for a fixed term of two or three years, regardless of performance. Some have also promised an all-cash bonus instead of the more traditional bonus paid partly in shares to tie executives' interests to the company's.

But the real high-flyers get extra stocking-fillers. Mr Frank Quattrone, the M&A specialist who left Morgan Stanley for Deutsche Morgan Grenfell, has virtually been given his own business, running a group that advises high-technology companies, many of which are coming to the market for the first time. As well as a pay rise to bump up the $5m a year he was reportedly earning at Morgan Stanley, he will enjoy a profit-sharing deal.

Deutsche Morgan Grenfell also recruited Mr Edson Mitchell, the fixed-income supremo from Merrill Lynch. Both men brought many of their staff with them.

UBS, meanwhile, poached Mr Richard Barrett, head of financial institutions at Salomon Brothers.

This has irked competitors by helping drive up already heady remuneration levels.

"We don't believe Deutsche Morgan Grenfell will ever be able to establish a business which will sustain the salaries they are committed to paying," says one senior investment banker.

· OBSERVER ·

The split is infinite

■ It looks like the decade-long plans to reform the German language and make it more user-friendly might be running aground. In July a deal was struck between the culture ministers of Germany's 16 *Länder* and representatives from German-speaking countries such as Austria and Romania to simplify the language by, for example, reducing the number of spelling rules.

Now some leading German writers, including Günter Grass and Siegfried Lenz, have woken up to the implications. At the Frankfurt book fair they vented their anger, saying the reform was too expensive, confusing and prejudicial to the language. Lenz has even demanded a referendum. Meanwhile all sorts of politicians have been sounding off in the Bild Zeitung, Germany's most widely read paper, about the "laughable" plans.

They have a point. When Germany is being told it must go through belt-tightening constraints on all fronts, in order to meet the single currency criteria, can it really afford to spend up to DM300m ($200m) – the sum the Association of Publishers of Schoolbooks reckons the reform will cost – to adapt the nation's school textbooks?

Noble cause

■ Plenty of gritted teeth around Oxford University's ivy-clad cloisters following news that James Mirrlees, professor of political economy at rival Cambridge, carried off half this year's Nobel Prize for Economics.

News of the £350,000 windfall put the Cambridge public relations machine into overdrive; vice-chancellor Alec Broers was moved to claim the prize endorsed "the intellectual breadth and interdisciplinarity" of his university.

Oxford's soreness is because Mirrlees has hardly been at Cambridge long enough to find the senior combination room. Worse, he did almost all of his work at Oxford – his lectures were said by weary students to be rather hard-going – where he brainstormed from 1969 until his move to Cambridge just last year. OK, he did get his PhD from Cambridge in 1963 but, given the 32-year interregnum, it's a bit rich to claim credit for the professor's latest triumph.

Eternal verities

■ M.F. Hussain, India's most celebrated contemporary artist, has painted himself into a corner.

He's upset police in Mumbai (formerly known as Bombay) with his depiction in a magazine of the Hindu goddess of learning, Saraswati: she was rendered nude. Mumbai is ruled by a rather strict Hindu nationalist outfit, which has slapped obscenity charges on Hussain. If prosecuted and found guilty, he could face jail.

All of which makes an unfortunate backdrop to this week's Sotheby sale of Hussain's depiction of another goddess, Madhuri Dixit, the voluptuous star of Bollywood – or should that be Mollywood these days? There can be no correlation, of course, but the Dixit painting, part of 158 works of assorted Indian artists on sale, failed to meet its reserve price.

Neither low prices nor the threat of prison dismay Hussain: "What is obscene in art and what is not ... is an eternal debate" he told an Asian newspaper. Though presumably he'll have to make his mind up before he meets the judge.

Penalty shot

■ "There's only one team in Tallinn" sang 500 Scottish football fans yesterday. For once they were right – Estonia forfeited its World Cup qualifying match by not showing up, giving Scotland a technical 3-0 victory.

The farce occurred because kick-off time was advanced several hours by football's governing body, Fifa, which alleged poor floodlighting at the picturesque Kadriorg Stadium. This upset the Estonians – not only was there no team, no one sold or checked tickets.

Even more daft, all the motions were gone through: though the playing of the national anthems was dispensed with, the Scotland team and match officials lined up and staged a formal kick-off.

The Tartan Army then roared "get into them" and "we only play when it's daylight", as the referee ended the all-too-brief game. This triumph was followed by a free-for-all as kilted and unkilted Scots enjoyed a kick-about on an international pitch.

Still, Scottish fans could at last revel in a match where the goalkeeper really did dominate his area.

Word for the top

■ Contrasting the self-awarded fortunes of some US executive with the fate of their downsized employees, Texan political columnist Jim Hightower concludes: "That's why so many people now spell BOSS backwards ... Double-S.O.B."

The Financial Times

100 years ago

The Indian Grain Riots

Allahabad:- Referring to the recent grain riots in the Central Province, the "Pioneer" observes that little information has leaked out on the subject, but it all points distinctly to a prearranged conspiracy in which well-to-do persons were implicated. "The emeute," it continues, "seems to show a lawless instinct which, if not widely spread, is strong enough to draw many when an excuse for plunder presents itself. It is not difficult to conjecture the result if the people had arms and ammunition, when organised rioting occurs at the same moment in several towns and villages of a large province."

50 years ago

Replacing German Exports

British producers should not fail to take advantage of the present opportunity to supply the Netherlands with goods which were previously obtained from Germany, said Dr. A.B. Speekenbrink, Director General for Foreign Economic Relations in the Netherlands Ministry for Economic Affairs. He was speaking at the annual luncheon of the Netherlands Chamber of Commerce in London, and said that his country shared in the desire to restore Anglo-Dutch trade.

FINANCIAL TIMES
Thursday October 10 1996

London and Dublin condemn Lisburn attack

IRA 'using tactics of Nazis' says Irish PM

By John Murray Brown in Dublin and John Kampfner in Bournemouth

Mr John Bruton, the Irish prime minister, yesterday launched a blistering assault on the IRA, accusing republicans of using the tactics of the Nazis, and engaging in a cynical betrayal of the Northern Ireland peace process.

Echoing an unprecedented chorus of national disapproval of Monday's IRA bombing in Lisburn, Northern Ireland, Mr Bruton rounded on republicans, even citing the words of a loyalist politician to underscore his charge that the IRA had betrayed the Irish people. "David Ervine [leader of the Progressive Unionists] is right. These bombers and their supporters also betray the ideals of the great Irishman, Wolfe Tone who wanted to unite Catholic, Protestant and Dissenter," he said.

London and Dublin have closed ranks in condemnation of the bombing at the British Army's Northern Ireland headquarters which left 31 injured, one critically. The two governments yesterday reaffirmed their support for the talks process, stressing an agreement between Ulster's constitutional parties on decommissioning arms could still move into substantive negotiations on three strands, dealing with relations within Northern Ireland, relations within the island of Ireland and between Ireland and the UK.

Irish officials repeated the need for an IRA ceasefire. But Sir Patrick Mayhew, the Northern Ireland secretary, appeared to hint that the UK government might be reconsidering the terms under which Sinn Féin – the IRA political wing – could be allowed into the all party talks.

He refused to say "never and forever," but conceded that the bombing had "made it harder [for Sinn Féin] to convince the rest of us that they'll be sitting there truly on democratic and peaceful terms." Ministers said that while they had not officially altered the criteria for Sinn Féin's participation in the multi-party talks, the suggestion by the party's president, Mr Gerry Adams, that the bomb was a "warning" to both governments ranked as an admission that the party was involved in the attack.

Mr David Trimble, the Ulster Unionist party leader, said it was "inconceivable" that Sinn Féin be allowed to take part, urging the government to "redirect the political process, refocusing it on the constitutional parties to the exclusion of Sinn Féin."

Mr Mitchel McLaughlin, Sinn Féin chairman, said the British government's inaction during 18 months of the IRA ceasefire, had bolstered the position of hardliners in the republican movement.

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Beijing warns Tokyo in row over islands

By Tony Walker in Beijing and John Ridding in Hong Kong

China yesterday warned Japan it was provoking a "confrontation" over disputed islands in the East China Sea.

Beijing used the pages of the official China Daily newspaper to launch its most pointed attack on Tokyo since the row over the uninhabited territory flared about two months ago.

In Hong Kong, demonstrators demanding the return of islands from Japan to China broke into the Japanese consulate, prompting a warning from Mr Chris Patten, governor of Hong Kong, that the protests could damage the territory's image.

"What sort of message do we send to the international community if the sort of lawlessness which has been reported today is reported around the world?" he asked.

Mr Patten said he recognised the strength of feelings on the issue, but stressed that protests must remain within the law. "It's the law and the rule of law which are the backbone of a free society like Hong Kong," he said.

The governor also suggested he was prepared to consider protection for the Japanese consulate. China said on Tuesday that its *de facto* embassy in Hong Kong had received a threatening letter from Japanese right wing groups.

China and Taiwan have been united in their outrage against Japan over what is regarded as Tokyo's tacit encouragement of ultra nationalists who have built structures on the islands, known as the Diaoyus to China and the Senkakus to Japan, to reinforce Japanese claims to sovereignty.

China's bitter criticism of Japan reflects Beijing's concern over a resurgence of Japanese militarism. The China Daily accused Japan of "turning a deaf ear" to "war victimised" countries in the Pacific and said Tokyo's refusal to acknowledge fully its responsibility for wartime atrocities could harm relations.

China has been angered by recent visits of leading Japanese politicians, including Mr Ryutaro Hashimoto, the prime minister, to a shrine for war dead.

In a positive gesture towards Taiwan, China yesterday appeared to offer an olive branch to Taipei with a call by Mr Tang Shubei, vice chairman of the Association for Relations Across the Taiwan Straits, for a resumption of negotiations on "terms acceptable to both sides".

Beijing broke off talks last year in protest at a visit to the US by Mr Lee Teng-hui, Taiwan's president.

Telecoms groups plan $5bn link-up

Continued from Page 1

DM26.20 to DM578.20, a drop of 4.3 per cent.

The changes of allegiance took the industry by surprise, although RWE's failure to conclude a deal with Viag and BT had spurred rumours that the talks were in trouble.

The shake-up leaves BT in a considerably weaker position in Europe's largest market. Yesterday BT brushed off the setback and said it would sustain its alliance with Viag, which will bid for Germany's fourth mobile phone licence next week. Viag also indicated it might bring its telecoms network into the new Veba-RWE joint venture, thereby creating one company which could transmit telecoms services over all Germany's electricity grids.

Talks between RWE and BT collapsed because the German group was not convinced that BT was seriously committed to the German market, RWE said.

BT said it had decided the talks had no future because RWE was committed to establishing separate fixed wire and mobile phone operations, which, BT said, would have called for substantial new investment in infrastructure to attack the domestic market.

It also brushed off criticisms that it had failed to tell RWE about its deal last week in France with Compagnie Générale des Eaux on the grounds the talks were confidential.

Israel warned by Jordan that peace treaty is in danger

By David Gardner in Amman

King Hussein of Jordan has told Israel its peace treaties with Egypt and Jordan are in danger unless it fulfils its international commitments to the Palestinians under the 1993 Oslo accords.

The warning, from the Arab leader who has moved closest to Israel since the Middle East peace process began five years ago, prompted Mr Benjamin Netanyahu, the Israeli Prime minister, to convene an emergency meeting of his inner cabinet yesterday, and seek to send an envoy to Amman.

President Hosni Mubarak of Egypt has questioned Israel's treaties with Egypt and Jordan. The treaties, signed in 1979 and 1994 respectively, are the only secure achievements of half a century of attempts at agreement between Israel and its Arab neighbours.

King Hussein's remarks came as a broad Jordanian coalition – a grouping of the kingdom's 21 political parties with business and professional associations and trade unions – was last night meeting to call for an end to "normalisation". They want a freeze on diplomatic and commercial links with Israel, and a review of the peace treaty if Israel fails to reach terms with the Palestinians.

The king told the Saudi-owned newspaper As-Sharq al-Awsat that Israel under Mr Netanyahu was retreating to "a siege mentality", unleashing "fury bordering on despair" in the Arab world.

He expressed anger that Jordan had not been informed about last month's opening of an archaeological tunnel near Moslem holy sites in Jerusalem – the spark for four days of fighting between Israeli troops and Palestinian security forces across the West Bank and Gaza Strip. The opening went ahead only hours after Mr Dore Gold, Mr Netanyahu's chief adviser, had been received in Amman.

King Hussein has maintained discreet contacts with Mr Netanyahu for two years. After his election in May on a platform decrying the "land-for-peace" basis of the peace process, the king argued that the untried Israeli premier needed time.

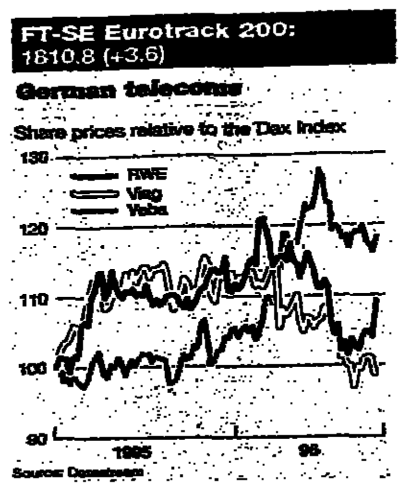
King Hussein attended last week's Middle East summit in Washington, while President Mubarak declined President Bill Clinton's invitation. The king is understood to have told Mr Clinton he could not sustain peace with Israel in current circumstances.

Fear that Palestinian tensions in the West Bank could boil over into Jordan is palpable in Amman, the scene of a civil war with Mr Yassir Arafat's Palestine Liberation Organisation in 1970-71.

THE LEX COLUMN

German exchange

Who has won from the latest reshuffle in German telecoms alliances? Veba and Cable and Wireless look more powerful now that RWE has joined their pact; while British Telecommunications and Viag look weaker without their erstwhile ally. But sheer clout will not count as much in telecoms as it has in the past. Competing effectively against soon-to-be-privatised Deutsche Telekom will require innovative strategies. On this score, the BT/Viag alliance probably has the edge.



Veba/RWE/C&W are planning the classic route of sinking vast sums of money into basic infrastructure. That was the path followed with little success by Mercury Communications in the UK. The multi-headed alliance has also come up with a confused structure, consisting of a "network" company and a "services" company. That sounds fine in theory, until one realises that the services company will own the venture's mobile and cable television networks. Is it surprising that C&W was licking its lips at the prospect of receiving DM450m in exchange for cutting its stake in the alliance?

BT and Viag, by contrast, seem to have a smarter approach. Not only do they want to create a single network capable of carrying both mobile and fixed calls; they will try to rent as much basic infrastructure as possible, concentrating their investment on clever applications and good service. Of course, having a clear strategy is not enough; BT/Viag will now have to show they can implement it.

New Holland

New Holland, the agricultural equipment company being floated off by Fiat, should plough a fertile furrow for investors. After a dry spell in the 1980s, rising farm incomes have led to buoyant demand for tractors and combine harvesters. New Holland is one of the world's top four manufacturers, behind John Deere of the US but ahead of its other American rivals Case and Agco, with leading market shares in Europe and emerging markets.

Rationalisation of the workforce and dealer network since its 1991 formation has raised operating margins to over 10 per cent. And at around 17 per cent, its debt to market capitalisation ratio is lower than that of both Deere and Case. Despite that, New Holland is being sold at a discount to its peers. The $1bn offer values the group at around $3.2bn, giving an enterprise value which is below 5 times next year's cashflow. This compares with 7.5 times for Deere and around 6 times for Case and Agco.

There are two concerns. The first is the agricultural equipment market's pedestrian annual growth of 4 per cent. Developing countries are expanding faster, but can be volatile, as this year's slump in Brazil shows. Against that, New Holland with its strong balance sheet looks ideally placed to mop up second tier manufacturers. More of a concern, perhaps, is that Fiat's retention of a majority stake rules out a bid. But New Holland was never much of a target given its high market shares and the offer's modest pricing should ensure its success.

UK economy

Mr Kenneth Clarke, the UK's Chancellor of the Exchequer, will get greater comfort from the Institute for Fiscal Studies' so-called Green Budget than he has from recent chats with the Bank of England. The minutes of his latest meeting with Mr Eddie George, the Bank's governor, show the interest rate debate shifting from whether to cut – Mr Clarke's favoured approach – back to when to raise. And while Mr Clarke must be expected to resist rate rises in the lead-up to an election, pressure is building.

By contrast, the IFS's expectations of more robust economic growth make the government's borrowing forecasts look positively conservative. So long as the government can achieve its ambitiously tough spending forecasts, this suggests more booty to hand out to the electorate in its November budge

The IFS expects Mr Clarke unveil £3bn of income tax cuts, a that is probably the current conse sus. But as the IFS argues, th does not make it right. The gover ment's spending forecasts look s ficiently implausible that it wou be irresponsible to give away t *proceeds in advance*. Given the lil lihood that the next governme will receive a hefty future bill November's promised hand-ou the gilts market would come und pressure. Of course, the governme *will be more worried about the ele* torate than the City, so Mr Clar will struggle to resist pressure f these cuts. But they will make even less comfortable meetin with the Bank.

Northern Ireland

Ethnic politics is the enemy business. Over the past two yea there were grounds for hoping th *Northern Ireland had shaken off t* fatal embrace of its tribal warrio Now these hopes lie in tatters. Li had anyway been seeping from t peace process since February wh the IRA set off a bomb in Londo *Yesterday's denunciation of the IF* as fascists by Mr John Bruton, t Irish prime minister, was simp confirmation of the deep fractur in the peace process.

The short-term economic impa will be muted – the business cy moves more slowly than changes the political mood – though touris will be an early casualty. The tou ist authority expects a 25 per ce fall in tourism this year after a per cent rise last year. *But the bi* gest effect will be intangible – terms of opportunities foregon Companies do not close factori because of bombs, but they m refrain from building new ones. investors have historically pr ferred the south to the north in t ratio of 5:1. There now seems litt chance of the gap's being narrowe at this week's investment confe ence in Pittsburgh. Prospects f joint marketing of the island w also lessen if the south seeks reassert its distance from the nort Moreover, the resurgence of sec rity concerns will bolster t region's already bloated public se tor.

Conflict does not preclu growth, but only peace will all the region to realise its potential

Additional Lex comment on Briti Energy, Page

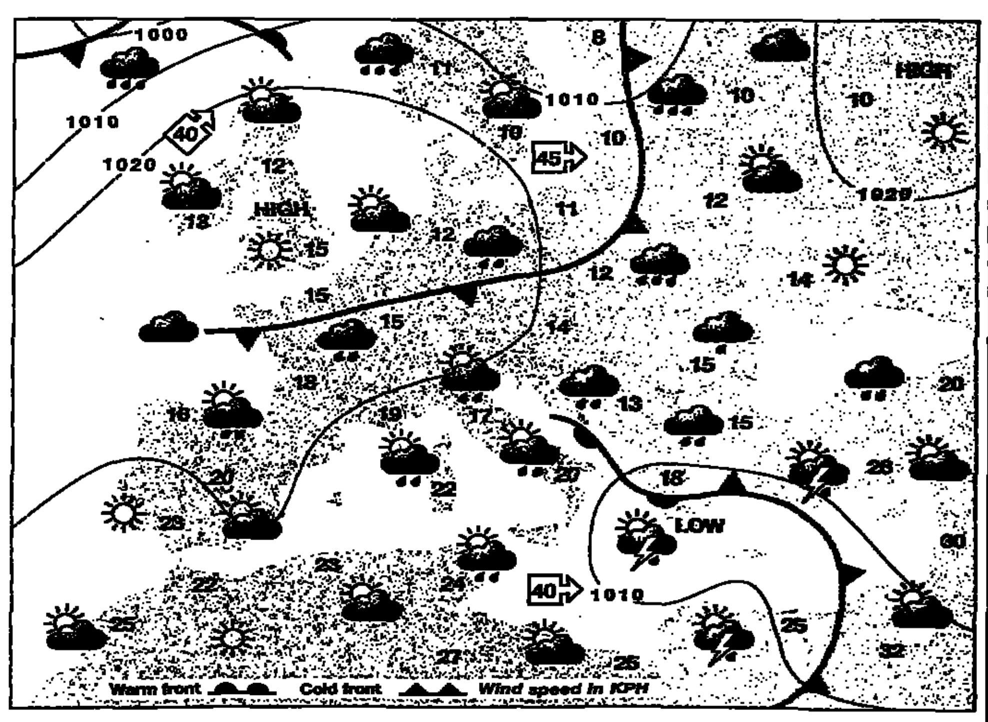
FT WEATHER GUIDE

Europe today

The British Isles will be dry with sunny spells. Western Scotland will be cloudy with occasional light rain or drizzle. The Benelux and *northern Germany will have* sunny periods. *Central and* northern France, southern Germany and Poland will be cloudy with plenty of rain. Italy will have *scattered showers.* Portugal and southern Spain will be mostly sunny. Greece and Turkey will have severe thunderstorms. The Balkans will have light rain.

Five-day forecast

Ireland and Scotland will become wet and windy. England and western and central Europe will be dry with some sun. The central and eastern Mediterranean will continue to have showers and thunderstorms.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 23	Caracas	fair 33	Faro	sun 24	Madrid	sun 20	Rangoon	thund 31
	Celsius	Belfast	fair 11	Cardiff	sun 13	Frankfurt	rain 14	Majorca	fair 21	Reykjavik	rain 7
Abu Dhabi	sun 34	Belgrade	drzzl 15	Casablanca	sun 22	Geneva	cloudy 15	Malta	fair 24	Rio	cloudy 23
Accra	cloudy 29	Berlin	fair 12	Chicago	sun 13	Gibraltar	sun 20	Manchester	sun 12	Rome	sun 23
Algiers	sun 23	Bermuda	shower 26	Cologne	fair 14	Glasgow	cloudy 12	Manila	fair 33	S. Frsco	sun 23
Amsterdam	fair 14	Bogota	thund 20	Dakar	fair 32	Hamburg	fair 13	Melbourne	fair 22	Seoul	sun 21
Athens	thund 22	Bombay	fair 33	Dallas	sun 23	Helsinki	shower 10	Mexico City	cloudy 18	Singapore	shower 30
Atlanta	fair 19	Brussels	fair 14	Delhi	sun 30	Hong Kong	cloudy 29	Miami	fair 30	Stockholm	fair 10
B. Aires	fair 23	Budapest	cloudy 16	Dubai	sun 34	Honolulu	fair 31	Milan	drzzl 17	Strasbourg	cloudy 14
B.ham	sun 12	C.hagen	fair 11	Dublin	fair 12	Istanbul	shower 18	Montreal	rain 8	Sydney	sun 26
Bangkok	thund 35	Cairo	fair 32	Dubrovnik	cloudy 20	Jakarta	shower 31	Moscow	cloudy 10	Tangier	sun 22
Barcelona	fair 20	Cape Town	rain 22	Edinburgh	fair 13	Jersey	fair 16	Munich	rain 12	Tel Aviv	sun 32
						Karachi	sun 34	Nairobi	fair 26	Tokyo	fair 20
						Kuwait	sun 32	Naples	shower 21	Toronto	shower 9
						L. Angeles	fair 25	Nassau	thund 29	Vancouver	rain 16
						Las Palmas	fair 25	New York	shower 18	Venice	drzzl 18
						Lima	cloudy 19	Nice	shower 20	Vienna	shower 16
						Lisbon	sun 23	Nicosia	fair 29	Warsaw	drzzl 13
						London	sun 15	Oslo	sun 12	Washington	fair 20
						Lux.bourg	drzzl 14	Paris	fair 16	Wellington	cloudy 14
						Lyon	cloudy 15	Perth	shower 17	Winnipeg	cloudy 13
						Madeira	fair 23	Prague	rain 12	Zurich	drzzl 12

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FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday October 10 1996

IN BRIEF

Inchcape sells testing unit

Charterhouse Development Capital and Bankers Trust are planning a ground-breaking £120m US bond issue to part-finance their £280m purchase of Inchcape Testing Services (ITS) from Inchcape, agreed yesterday. Although such issues have been employed in US and continental European deals, this is thought to be the first time a UK venture capital deal has been financed using cash from the bond markets. Page 27

Rome to unveil Banco di Napoli plans
The Italian Treasury is due to unveil plans this week for competitive bids for up to 60 per cent of its stake in Banco di Napoli, the largest financial institution in the south, which has incurred record losses. The plan reportedly has the blessing of the leading political parties – vital for anything concerning an institution which has been the key vehicle of political influence in the region. The privatisation is directly linked to a L2,000bn ($1.3bn) capital injection from the Treasury. Page 20

Allders faces £1.5m liability
Allders, the UK retail group, may have to pay about £1.5m in compensation to option holders following the decision by Mr Kenneth Clarke, the chancellor, to scrap tax benefits on some special dividend schemes. The group said yesterday it would abandon plans for a 15-for-19 share consolidation which was to accompany its £50m special dividend to shareholders. It said the consolidation would jeopardise the tax relief available to some shareholders on the planned special dividend of 48p per share. The special payment follows the sale this year of Allders' duty free business to Swissair for £160m. Page 26

Lloyds Chemists bid battle to resume
The battle for Lloyds Chemists is set to resume later this month after the drugstore chain yesterday said it expected the government to approve undertakings made by UniChem and Gehe to allow their bids to proceed. Mr Michael Ward, Lloyds' managing director, said: "We believe the companies' submissions will meet with approval and expect them to be in a position to re-bid by October 18." Page 26

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			Synthelabo	450	+ 24
Rises			Falls		
[illegible]	80.80	+ 2.85	Accor	833	- 25
Falls			Credit Natl	235	- 21
[illegible]	211	- 4	Eridania BS	716	- 34
[illegible]	292	- 5.5	Havas	361.0	- 7.4
[illegible]	280	- 5	**TOKYO (Yen)**		
[illegible]	581	- 21	Falls		
[illegible]	925	- 30	Daishowa Paper	680	- 30
NEW YORK ($)			Mitsui Petchem	682	- 42
Rises			Nippon Light Mtl	381	- 24
[illegible]	24⅛	+ 2¼	Tokuyama	519	- 26
[illegible]	20⅜	+ 1¾	Toyo Seikan	3650	- 130
US Surgical	46⅞	+ 2¾	Zexel Corp	675	- 29
Falls			**HONG KONG (HK$)**		
Am Med Response	31⅞	- 2¾	Rises		
Marvel Ent	5⅝	- 2⅝	Dah Hwa Intl	3.9	+ 0.3
[illegible]	69	- 3	HK China	2.4	+ 0.225
LONDON (Pence)			Orient Telecom	2.575	+ 0.275
Rises			Falls		
[illegible]	67½	+ 14	Easyknit Intl	2.825	- 0.175
[illegible]	55½	+ 5½	Giordano Intl	7.5	- 0.6
[illegible]	275	+ 20	Glorious Sun	3.55	- 0.375
Falls			**BANGKOK (Baht)**		
[illegible]	136½	- 19	Rises		
[illegible]	93½	- 11½	Asian Marine	28.5	+ 2.5
On Demand	50	- 3	Saha Pathanapib	88.5	+ 6.0
TORONTO (C$)			Falls		
Rises			Far East	132	- 13
[illegible]	21.9	+ 1.6	Thai Asahi Glas	37.5	- 4.5
[illegible]	25.3	+ 1.8	Thai Danu Bk	75	- 53
[illegible]	12.65	+ 1.05	Thai Sreshthk	54	- 8
Falls					
[illegible]	5.45	- 0.9			
[illegible]	17.25	- 1.25			
[illegible]	10	- 1			
PARIS (FFr)					
Rises					
[illegible]	4260	+ 140			

New York and Toronto prices at 12:30.

Amoco abandons E Europe plan

By Christopher Parkes in Los Angeles and Christopher Bobinski in Warsaw

Amoco, the US energy group, is to abandon plans for an international petrol station network based in central Europe.

It said yesterday retailing efforts would in future be focused on the "tremendous opportunities" in the Americas, including Mexico, "which is as new to us as central Europe".

Pulling out less than a year after construction started, with only four stations opened and 14 others under way in Poland, Bulgaria and Romania, the Chicago-based company said expected growth opportunities had not developed as quickly as had been hoped.

The strategy switch may also have been prompted by the looming restructuring of the US refining and marketing sector, highlighted this week by the proposed pooling of $10bn-worth of assets by Texaco, Shell Oil and Aramco.

This plan, aimed at countering the impact of falling refining margins – and which imitates a similar link between British Petroleum and Mobil in Europe – is expected to lead to widespread consolidation in the US.

When it announced its first foray into retailing outside the Americas in June last year, Amoco said it planned to spend $270m over 10 years opening 150 petrol stations in Poland and 60 each in Bulgaria and Romania. It also outlined ambitions to expand into China, Russia and Mexico.

Ms Anna Catalano, vice-president for international business development, said the group believed there were still good opportunities in central Europe, where many western oil groups are deeply involved.

"But the rest of the international portfolio has not developed at the pace needed for the brand to work well," she said.

International marketing and brand development required heavy commitments to up-front capital spending and Amoco had decided the money would be better spent elsewhere, she said.

China was a good example of a highly-regulated country where free market development had not occurred as quickly as expected.

Amoco's oil exploration ventures in central Europe and Chinese projects such as development of a liquefied petroleum gas plant and a refinery in Fujian province would be unaffected, Ms Catalano said. The group's sole Russian petrol station, located outside Moscow, would remain open.

Other company officials insisted withdrawal from the central European petrol market, the first such move by a leading international concern, did not reflect any disappointment with results so far.

International operations in other regions had not worked out as planned, the group said. The company hoped to sell the existing units and those under construction as a going concern, according to Ms Catalano.

UK rail group in bond deal on assets

By Conner Middelmann and Motoko Rich in London

Stagecoach, the rapidly expanding bus and rail group, yesterday became the first publicly quoted company in the UK to fund a large acquisition by transforming corporate debt into bonds for sale to international investors.

The £545m ($852.3m) bond transaction – known as a securitisation – provides a further boost to the fast-growing market for UK asset-backed securities. It will finance Stagecoach's recent purchase of Porterbrook Leasing, the rolling-stock company.

The bonds will be secured on lease payments due to Porterbrook from UK train operating companies (TOCs). About 80 per cent of these payments are backed by the UK government, to cover the possibility that TOCs default on payments. This makes the bonds low risk to investors.

Securitisation is a way for financial institutions or companies to remove assets from their balance sheets, freeing up capital and diversifying funding sources. Principal and interest payments on the securities are funded by the cashflows generated by the assets.

The Stagecoach offering follows Tuesday's £904m securitisation by financial institutions of rental income from former UK Ministry of Defence properties, which has similar government backing.

"The asset base for securitisation has widened significantly from traditional assets like residential mortgage loans, and this trend is set to continue," said Ms Caroline Philips, associate director of asset securitisation at NatWest Markets, which is about to securitise $5bn of National Westminster Bank corporate loans.

The Stagecoach securitisation, arranged in seven tranches by the Union Bank of Switzerland, will refinance an acquisition facility the group set up in August to buy Porterbrook, and provide an additional £25m in funding. Stagecoach will pay an average interest rate of 7.4 per cent on the bonds.

Analysts welcomed the funding package, describing it as "innovative" and "cheap financing". But Stagecoach shares eased 4½p to 573p.

UAP posts 7% rise in first-half profits

By Andrew Jack in Paris

UAP, the French insurance group, yesterday claimed the results of its restructuring were bearing fruit as it reported net profits up 7 per cent to FFr860m ($167m) for the first six months of the year.

Mr Jacques Friedmann, chairman, said the group should make a similar profit in the second half. This should lead to full-year net profits of FFr1.7bn. Last year, it made a loss of FFr2.05bn. Yesterday's results were above expectations and the shares closed up 1.8% per cent at FFr108.9.

Mr Jacques Friedmann, chairman, said: "The message to our shareholders is that the factors that depressed our results are either dealt with or efforts to deal with them are well engaged. The first-half results show that we are on the right path."

He said the group's exposure to the depressed property sector – which had cost UAP more than FFr12bn – had now been largely resolved, with some important asset sales.

These included transactions with the US Whitehall fund, which triggered a loss during the first six months of FFr289m – to be compensated by the proceeds during the second half of the year. UAP also wrote down the value of its remaining property investments by 5 per cent to reflect market trends.

Total asset sales during the first half of the year were FFr4.6bn, and are expected to rise to FFr6.1bn for the full year. This should include the sale of a 30 per cent stake in Scor, the French reinsurance group, which is currently being placed in New York.

Other challenges which the chairman said were now being addressed included the more effective management of assets and liabilities, and a reduction in group debt.

Mr Friedmann played down recent speculation suggesting UAP was likely to be subject to a takeover bid, saying he was likely "to be the last to be informed" but that no discussions were under way for a friendly alliance.

He added that the group's stake in Banque Nationale de Paris – currently at 15 per cent – was a long-term strategic investment justified by the commercial links between the two groups, and there were no current plans to reduce it, but the level was not fixed "for eternity".

Mr Friedmann maintained his objective for UAP to achieve a return on equity of 10 per cent by 2000, although the latest results still only gave the group a return of about 5 per cent.

He said his priorities were to develop UAP as a European group, broadening its activities into health insurance and pensions as governments progressively withdrew, improved financial asset management, a diversification of its network and increased productivity measures.

UAP's turnover rose 7 per cent to FFr86.4bn. Net income from life activities rose to FFr1.1bn, up from FFr804m, while non-life fell from FFr970m to FFr949m, partly as a result of changes in the way the results were consolidated. The restructuring also caused the costs of the holding company to rise sharply from FFr422m to FFr776m.

Provisions against doubtful property loans stood at 69 per cent, leaving FFr1.1bn of doubtful loans out of a total net portfolio of FFr2.3bn.

Crédit Lyonnais calls for FFr12bn

By Paul Abrahams in London

Mr Jean Peyrelevade, chairman of Crédit Lyonnais, yesterday increased his estimate of the state cash injection needed for his troubled French bank. He said privatisation would not occur until mid-1998 at the earliest – later than expected.

Mr Peyrelevade said in an interview his company would need a cash injection of FFr12bn ($2.3bn) to strengthen the balance sheet. That is an increase on the FFr8bn-FFr9bn he said was needed last week.

The injection would help prepare the bank for privatisation or a trade sale to international investors, said Mr Peyrelevade. "I would not mind if we ended up with one or several non-French European shareholders. I sometimes think that would be better than a big French investor."

Privatisation would not occur before mid-1998 "and even that would be quick", he said. He had previously indicated it might take place within 18 months.

Mr Peyrelevade's comments came as Mr Jean Arthuis, the French finance and economics minister, told the National Assembly his priority was to privatise Crédit Lyonnais as soon as possible.

The cash injection should raise the group's tier one capital ratio from 4.5 per cent to 6 per cent, making it more attractive to investors, said Mr Peyrelevade. Last week he said he wanted to raise the ratio to 5.5 per cent.

The increase in the size of the capital injection will help cover losses the group will have to book on the disposal of Crédit Lyonnais' European banking network.

Mr Peyrelevade said the losses would reduce the company's capital, but also cut its assets.

"The [FFr12bn] capital injection will cover the losses on the disposals and the need to increase the tier one ratio," he said. Analysts had been concerned that losses on the disposals would increase the size of the capital injection to as much as FFr20bn.

Mr Peyrelevade also warned there would be additional provisions for rationalising the domestic retail business. Provisions of FFr1.3bn in the first half would cover two-thirds of rationalisation costs. But a further charge would be required in the second half. This would cover cost-cutting until 1998, he said.

In an effort to improve the domestic network's profitability the group would cut 200 branches – about 10 per cent – by the end of 1998.

The headcount would fall a further 5,000. He aimed to cut costs between 1 per cent and 2 per cent a year.

The French business was breaking even, but the situation was deteriorating because of intense competition. Plans were in hand to increase income. He refused to give a target for the cost-income ratio, which he said was 81 per cent, well above French and international averages.

Picture: Lydia van der Meer
Jean Peyrelevade, chairman, pictured yesterday: 'I would not mind if we ended up with one or several non-French European shareholders'

Blockbuster to speed expansion of video chain

By Christopher Parkes in Los Angeles

Blockbuster Entertainment is to prune its US music retailing business by 10 per cent, cut operating costs and speed expansion of its video rental stores at home and abroad, according to Mr Bill Fields, chairman.

He told an analysts' meeting to expect an unspecified write-off from the 50 closures, but reassured his audience the business would at least match their cash flow estimates of $2.2bn this year.

He also aimed to increase annual cash flow growth to 15-20 per cent.

Mr. Fields, a former executive at Wal-Mart, the biggest retailer in the US, said he would continue to expand the 5,000-plus international chain of video rental shops by up to 850 a year with 450-600 opening annually in the US.

This week, Blockbuster, a subsidiary of Viacom, the entertainment and media group, paid an undisclosed sum for Ireland's Xtra-vision, which operates 217 video retail and rental outlets. The chain is operating in 23 countries outside the US, including nine in Europe.

Mr Fields also unveiled plans to test a new retailing concept. The group had bought a stake in PC Upgrades, a small specialist supplier of equipment for computer owners who want to improve their machines' performance or memory capacity.

If the trial proved successful, he suggested the business could replace more of the group's music stores. Analysts at the presentation, many critical of Blockbuster's past strategy, said Mr Fields, who joined in March, aimed to transform Blockbuster into a network of local entertainment stores providing music, video, services and, increasingly, technical products.

Most criticism of the business has focused on its vulnerability to fast-changing technologies which will soon provide video-on-demand via cable and satellite television services offering 200 channels and more.

Mr Fields also announced plans for economies by buying videos and recorded music direct from studios, and confirmed speculation that the company may shortly move out of its Florida headquarters.

Although the chain is a consistent cash-generator, its expansion policies have made it a heavy consumer of capital, and it does little to enhance the overall performance of its debt-laden parent.

Viacom has spent $18.5bn in the past three years on buying Blockbuster and Paramount Studios. Its image has also been tarnished by boardroom strife which peaked this year with the sudden dismissal of Mr Frank Biondi, chief executive.

Criticism has tailed off lately. Debt has been reduced by the sale of Viacom's cable television interests to Tele-Communications Inc. A clutch of radio stations is also seen as a likely candidate for sale, and disposal of the music retailing side is still considered possible.

Rome to unveil plans for Banco di Napoli

By Robert Graham in Rome

The Italian treasury is due to unveil plans this week for competitive bids for up to 60 per cent of its stake in Banco di Napoli, the largest financial institution in the south, which has incurred record losses.

The plan is reported to have the blessing of the leading political parties – vital for anything concerning an institution which has been the key vehicle of political influence in the region.

The privatisation is directly linked to a L2,000bn ($1.3bn) capital injection from the treasury which is in the process of being completed. The treasury also hopes to tie-up the sale by December 20. In this way the government believes it can head off any objections from Brussels' competition authorities.

Pressure from Brussels in July forced the treasury to abandon an initial rescue plan for Banco di Napoli. This envisaged inviting other banks to help bail out the Neapolitan bank, one of Italy's oldest, converting loans to equity, proceeding with assets sales (including 50 northern branches) and staff cuts while leaving privatisation until 1997.

Until now, only Ambrosiano Veneto, the increasingly aggressive northern bank, has publicly confirmed an interest. But in the banking community Banca Commerciale Italiana is also said to be considering a bid.

Banco di Napoli incurred losses of L3,115bn in 1995 and this year's first-half results showed a further pre-tax loss of L674bn. However, prospective buyers should inherit a clean balance sheet since bad loans of L10,000bn to L12,000bn will be hived off to Reviban, a special company guaranteed by the state.

This crisis has seen a 25 per cent year-on-year fall in both deposits and credits. However, the bank retains a strong market share, accounting for 18 per cent of all deposits and loans in southern Italy excluding Sicily. Even including Sicily, where the troubled Banco di Sicilia has a strong presence, Banco di Napoli still has a 14 per cent share. No other Italian bank has more than 4 per cent of this market.

The treasury currently owns 13 per cent of the bank and more than 70 per cent is in the hands of Banco di Napoli's foundation. However, the treasury is expected to acquire close to 100 per cent as a result of the L2,283bn capital increase approved by shareholders in July. The capital comes in the form of L283bn from state funds under a special banking provision while the remainder is underwritten by the treasury. Subscription only closed on Tuesday and it is too early to gauge the exact size of the new treasury stake.

EUROPEAN NEWS DIGEST

CLF investors approve merger

Shareholders in Crédit Local de France, the specialist banking group, yesterday approved by more than 95 per cent the proposed merger with Crédit Communal de Belgique. Mr Pierre Richard, chairman, said the new group – to be called Dexia – should report a net profit c more than FFr3bn ($581m) for 1996, and there would be special dividend to Crédit Local de France investors of FFr17 a share ahead of the combination.

The vote came in spite of criticism from some individual shareholders, including attacks on the propo to nominate to the board Mr Gérard Worms, former hea of the Suez group, who helped advise Crédit Local de France on its merger. *Andrew Jack, Pa*

Swissair, Sabena in cargo deal

Swissair and Sabena, the Belgian airline, plan to consolidate their cargo sales and distribution operations into a single unit, Swissair said. Details of the plan are being worked out by a joint working group.

Swissair said that as of January 1 it would take over marketing responsibility for Sabena's cargo operations. Swissair expects the collaboration on cargo to boost bot carriers' combined cargo capacity by 25 per cent to 2bn tonne-kilometres from Swissair's current capacity of 1.6 tonnes and Sabena's 350m tonnes. *AFX News, Zur*

Peugeot buys Faure stake

PSA Peugeot-Citroën, the French carmaker, has in effec bought a substantial minority stake in Bertrand Faure, the third-largest French automotive components group, a move that continues the trend towards consolidation i the industry. In a complex deal announced yesterday, ECIA, the components and scooter company 67 per cent owned by Peugeot, has acquired 75 per cent of Financière Michel Thierry, a holding company whose chief asset is 17.3 per cent holding in Bertrand Faure. Meanwhile, Trèves, another components group specialising in interi trimmings, has acquired the remaining 25 per cent of Financière Michel Thierry. The transaction, which will make ECIA, in association with Trèves, Bertrand Faure' largest shareholder, values Financière Michel Thierry at FFr578m ($114m). *David Owen, Pa*

Analysts upgrade Argentaria

Earnings estimates for Argentaria, the Spanish bank, in 1996 and 1997 are being upgraded after its agreement wit ICO, Spain's credit agency, which allows it to refinance Pta578bn ($4.49bn) of loans at lower interest rates, analysts said. They said the ICO agreement would reduc the bank's funding costs by about Pta30bn by 2004, with the refinanced instruments carrying an average interest rate of about 8.5 per cent, compared with 10.16 per cent under the previous arrangement. Mr Ignacio Cornejo, of Beta Capital, said he planned to raise his forecast for 199 earnings by 3-4 per cent to about Pta70bn, and for 1997 b more than 4 per cent to Pta75bn. Mr Cornejo has also raised his target price for Argentaria's stock from Pta5,4 to Pta5,600. *AFX News, Madri*

Stock split at Lufthansa

Lufthansa, the German airline, said it would implement a 10-for-one stock split today, reducing the value of its shares from DM50 to a nominal DM5. At the same time, the company is converting its preference shares into common shares. The company has 2.66m preference shares with a nominal value of DM133m ($89.8m). *AFX News, Frankfu*

Enel may enter telecoms

Mr Chicco Testa, chairman of Enel, Italy's state-owned power company, said it was studying the possibility of entering the telecommunications sector and could bid for a licence to become Italy's third mobile operator. *AFX News, Rom*

Big contenders regroup for telecoms battle

RWE's link-up with the rival Veba-C&W team reflects a new realism in the German arena

Germany is Europe's most lucrative telecommunications market, and the target for a raft of organisations hoping to profit from the dismantling of Deutsche Telekom's monopoly after January 1 1998.

Foremost among the contenders have been the big industrial and utility groups: Viag, which formed a partnership last year with British Telecommunications, had hoped to cement a further deal with RWE; Veba's telecoms arm, Vebacom, included Cable and Wireless of the UK.

Yesterday, however, the picture changed dramatically. Most remarkably, Veba and RWE, two of Germany's biggest companies and fiercest rivals, decided to pool their resources in the fight to prise business from Deutsche Telekom, which is to be partially privatised next month.

Essentially, RWE decided it no longer wanted to ally itself with the Viag-BT tie-up, and switched its allegiance to the Veba and C&W camp, paying a net DM2.5bn ($1.6bn) together with its telecoms assets for a big stake in the venture.

The joint venture is expected to be worth about DM7bn-DM8bn. It will comprise three companies: a strategy group in which Veba and RWE will each have 40 per cent stakes, and C&W, 20 per cent; a network company; and a services company. It will therefore be one of the first large European telecoms operators in which network operations – and the prospect of earnings from carrying other operators' traffic – has been divorced from services.

C&W, which has a broad international portfolio of fixed-wire and mobile phone interests, is expected to provide much of the technological leadership.

The realignment had a depressing effect on the group's rivals. Viag's share price moved down sharply yesterday. Another conglomerate hoping for a share of the German telecoms market, Thyssen, saw its shares move down as investors took stock of the new position.

Just 18 months ago, Veba and RWE were determined that, blessed with strong cash flows and extensive resources they, of all German companies, would be able to go it alone and separately in a fully liberalised telecoms market.

That they have now joined forces underlines, perhaps more clearly than any other recent development in the German telecoms market, how dramatically companies wanting to compete with Deutsche Telekom have had to scale back expectations over the past 18 months.

"At the beginning of last year, the private operators were still thinking in terms of a break-even on their telecoms activities in 2001," said one RWE executive. "Now they expect that to happen in about 2003. That alone underlines how much the expectations have had to be adjusted."

Although five companies announced telecoms ambitions early last year, analysts warned there was room for only two large consortia with the economies of scale and resources to take on Deutsche Telekom, Europe's largest operator and one of the most profitable.

Exactly how those consortia will look is now clear. Veba, RWE and C&W in one corner will square off against Mannesmann and AT&T in the other.

Thyssen and Viag, however, are left without significant footholds in the telecoms market.

On the one hand, Thyssen would seem a potential partner for the Veba/RWE team, given that it and Veba each hold a 30.1 per cent stake in E-Plus, Germany's third mobile phone network. Veba and RWE have said, however, that their brand new alliance is not open to outsiders.

Mr Dieter Vogel, Thyssen chief executive, is in a quandary. He raised DM1bn last year by selling a stake in the group's telecoms subsidiary to investors, promising attractive returns in the telecoms business. Alone, however, he will find it difficult to deliver those returns. While Veba may have the money to buy Thyssen out of E-Plus, the equation does not work in reverse, one analyst pointed out.

Viag, on the other hand, may well bring its telecoms network – built around the electricity grid of the Bayernwerk utility – into the new infrastructure company being created by RWE and Veba, arguing that there is likely to be a surplus of network capacity in Germany anyway.

Together with BT, it will also next week apply for Germany's fourth mobile phone licence. With new technology, the Anglo-Bavarian alliance hopes to create a network which can service mobile and fixed network clients simultaneously, thereby stealing a march on other operators which still have separate services.

For BT, which has been the most active of European operators in forming European partnerships and alliances, the withdrawal of RWE from its partnership with Viag is "a hiccup rather than a blow", it says.

It is in negotiations with other potential partners. Analysts pointed out, however, that there are few attractive options still open.

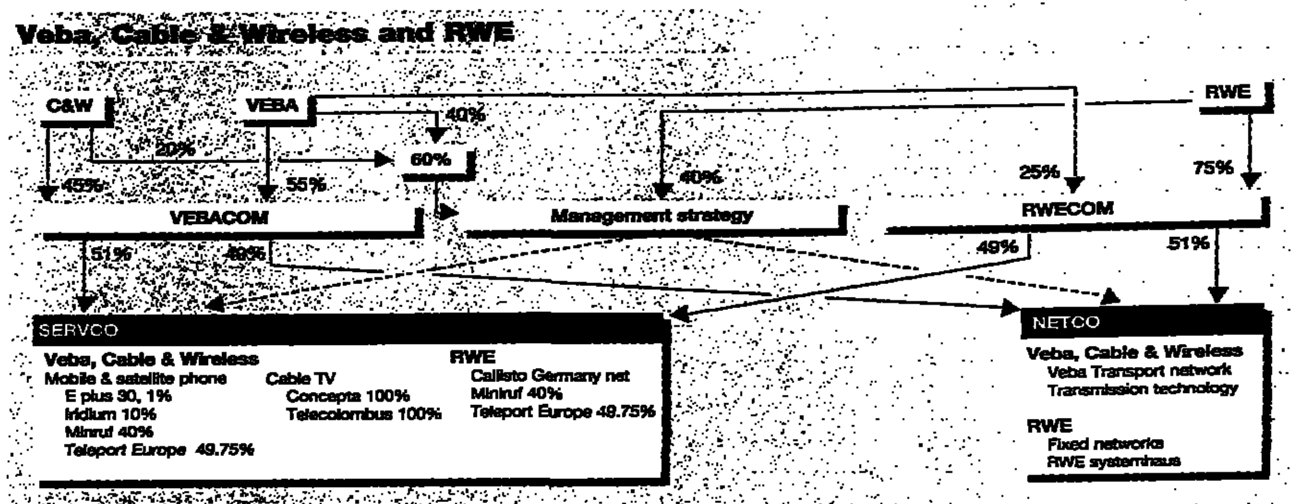
C&W, on the other hand, whose international strategy has frequently been questioned, will benefit from the new alignment.

The price RWE is paying is based on what it paid for its stake in Vebacom, underpinning the integrity of that transaction. It will hold only 22.5 per cent of the new group rather than 45 per cent of Vebacom, but that translates in a smaller stake in a larger, stronger company. It will have management and technological influence.

Mr Stephen Pettit, C&W executive director, Europe and mobile, said: "This is a good deal for C&W. It underlines the value of the price we paid and halves our share of the start-up losses."

Michael Lindemann and Alan Cane

Veba, Cable & Wireless and RWE



	Sales DM bn	EBITDA DM bn	EBITDA margin %	Net profits DM m	Net margin %	Net cash DM m	ROCE %	ROE %	Telecom Revenues 1995 DM m	Telecom Earnings 1995 DM m	Telecom Employees 1995	Telecom Capex 1995 DM m	Equity adjusted revenues DM m
Mannesmann	[illegible]	[illegible]	9.0	760	2.4	-612	9.1	18.7	2,718	464	3,556	938	2,327
RWE	53	5.1	9.7	1,439	2.7	20,449	8.0	12.0	320	n/a	700	n/a	320
Veba	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	252	4.7	12.9	339	-101	1,219	473	534
VIAG	42	4.3	10.3	955	2.3	-583	10.9	18.5	n.s.	n.s	n.s.	n.s	100
Thyssen	[illegible]	[illegible]	[illegible]	[illegible]	2.0	-3,433	10.3	21.4	66	-150	118	174	66
Total	232	21.9	9.4	6,234	2.7	16,092	7.7	16.3	–	–	–	–	–
Deutsche Telekom	[illegible]	[illegible]	51.0	5,272	8.0	-100,379	13.3	23.9	–	–	–	–	–

Source: FCC, company accounts and annual reports

Bouygues may raise $160m by floating 40% of offshore unit

By David Owen in Paris

Bouygues, the French construction group, is to float a 40 per cent stake in its Bouygues Offshore oil and gas contracting unit.

Bouygues Offshore said yesterday it had filed a registration statement with the US Securities and Exchange Commission for a global initial public offering of 6.8m shares of its common stock. About 4.08m shares would be offered in the US and Canada and the remaining 2.72m in other countries.

Shares would be sold in the form of American Depositary Shares, with each ADS representing half of one share, and shares. The company has announced an indicated price range of between $10.75 and $12.75 per ADS, or FFr111-FFr131 per share. This would realise about $160m.

The full exercise of an underwriter's over-allotment option to purchase up to 1.02m additional shares would result in the proportion of the company's outstanding shares held by the public rising to 46 per cent.

Lehman Brothers is acting as global co-ordinator of the offering. It is also one of the managing underwriters of the North American offering, along with Credit Lyonnais Securities (USA), Prudential Securities and Simmons & Company International.

Lead managers of the international offering are Lehman Brothers International (Europe), Crédit Lyonnais, Banque Nationale de Paris and HSBC Investment Bank.

The company said a registration statement relating to the shares had been filed with the SEC but had not yet become effective. The securities could not be sold, and offers to buy them could not be accepted, until it did.

Bouygues said earlier this week that the unit would be floated on the French and US markets in early November. In 1995, Bouygues Offshore contributed FFr186m ($36m) to overall group profits on turnover of FFr3.39bn. In figures published in June, turnover was projected to fall to FFr3.1bn in 1996.

Yesterday's announcement – made after Bouygues shares closed in Paris down FFr1 at FFr484 – came a day after the group reported a sharp deterioration in its first-half performance, posting a net loss of FFr146m compared with a profit of FFr97m a year earlier.

The company attributed the downturn principally to a "considerable increase" in seasonal losses from its road building activities, but said full-year profits from road-building would be comparable to last year. It had also taken into account FFr60m of losses on the launch of its mobile telecoms operations.

Without these two factors, first-half profits would have totalled FFr329m.

Irish funds industry grows 65% in year

By John Murray Brown in Dublin

Dublin's offshore funds industry expanded 65 per cent in the past year, making it the fastest growing centre in the European Union and one of the fastest in the world, according to figures published this week.

A survey by funds consultants Fitzrovia International shows that the assets held by Dublin's international financial services industry rose from $20bn to $33.1bn in the 12 months to September 2.

The results are striking evidence of the success of Dublin, which has attracted more than 400 client companies in areas such as funds, banking services and insurance, lured by a 10 per cent tax regime, the availability of low cost labour, strong legal and accountancy support, and Ireland's network of 27 tax treaties.

The findings come amid reports that Citibank is poised to relocate its European back office operation to Dublin, creating 700 jobs and making it the largest operation in the financial services centre.

Dublin has already overtaken both the Channel Islands and the Isle of Man as a funds domicile. Because of its lower labour costs, and the absence of net asset tax, Dublin is now attracting funds which might otherwise have based in Luxembourg, still the largest EU centre with close to $350bn under management.

The number of funds increased 18 per cent, from 612 to 723. The bulk of the growth thus comes from existing funds, underlining the "significant economies of scale" available to the sponsors, the banks and institutions which provide the administration, and custodial services.

Telefónica sale sparks a battle among the banks

Spanish institutions argue tha the disposal should be used to promote 'people's capitalism'

As the curtain goes up on the first large privatisation by Mr José María Aznar's centre-right government, a highly political behind-the-scenes battle is being fought that could decisively shape the scope and content of government disposals in Spain.

Thirty domestic and international banks yesterday entered their bids for advisory and co-ordinating roles in the sale of the 21.1 per cent of state-owned equity, valued at some Pta469.1bn ($3.7bn), in Telefónica, the telecoms operator. The sale is scheduled for January or February next year.

The bids were delivered to Sepp, the finance ministry's portfolio company which controls the state-owned equity in the telecoms group, and the mandates are likely to be awarded before the end of this month.

At issue is what proportion of the offer should be directed at domestic shareholders and institutions. Senior executives of Spanish broking houses, which are linked to the main domestic banks, argue that the Telefónica placement should usher in a new privatisation strategy that would significantly weight disposals towards the Spanish market.

When the state, under the previous socialist government, sold 11 per cent of Telefónica in October last year, reducing its stake from 32 per cent to 21 per cent, 49 per cent of the disposal was offered to international institutions. The retail tranche represented 43 per cent of the total offered, and the remaining 8 per cent was acquired by domestic institutions.

The big Spanish banking groups are lobbying for an entirely different offer structure in the forthcoming Telefónica disposal, which would represent a quantum leap for the domestic market.

They argue that the telecoms privatisation presents the Aznar government with a unique opportunity to promote "people's capitalism" on the lines of the UK government in the mid-1980s, when British Telecom, British Gas and British Airways were sold off.

In the past the Spanish government has raised a maximum of Pta400bn in a single year from privatisations, and income of Pta450bn from disposals has been written into the government's 1997 budget.

The privatisation strategy outlined by the big banks suggests that a total of Pta1,000bn could be raised next year from sales of government-owned equity, if the disposals were firmly directed at the domestic market, which would absorb 80 per cent of the privatisations.

Their bullishness is based on two principles:

● The impact of the government's changes to the capital gains tax on earnings from the stock market. The new rulings abolish tax on the first Pta200,000 earned in a fiscal year from the market, and place a single 20 per cent tax on subsequent earnings. Under previous guidelines, earnings from the stock market were treated as income tax and subject to the top marginal rate of 56 per cent.

● The fall in interest rates and inflation. This will encourage the fast-growing domestic institutional funds to invest in equities rather than in fixed income. At present, less than 5 per cent of domestic funds under management is invested on the stock market.

Telefónica, a blue chip which has provided good shareholder value, is viewed as the ideal test case for this bold strategy. The offer price for the retail tranche in the disposal a year ago was Pta1,615, and the shares currently trade at about Pta2,460.

The retail tranche of last year's offer was eight times oversubscribed, and a total of 550,000 Spanish retail investors acquired Telefónica shares.

Under the strategy drawn up by the domestic banks, the total number of investors in the retail tranche could top 1m in the forthcoming Telefónica sale.

The strategy is contested by international banks, who have traditionally acted a advisers and global co-ordinators of Spanish privatisations. They suggest that by promoting "people's capitalism", the Spanish banks are merely seeking to keep the privatisation business to themselves.

"There is absolutely no basis for arguing that the retail tranche of a Spanish placement could be doubled," says the chief executive in Spain of a big US investment bank. "The security of a placement depends on a foreign and domestic mix, and international institutions are necessary to stabilise the after-market."

Spanish banks disagree, saying that the flush of privatisations – especially in the telecommunications sector, where Telefónica will tap the markets after Deutsche Telekom but ahead of France Telecom, Italy's Stet and KPN of the Netherlands – makes the strength of the domestic market the most important factor in the success of the planned offers.

Tom Burns

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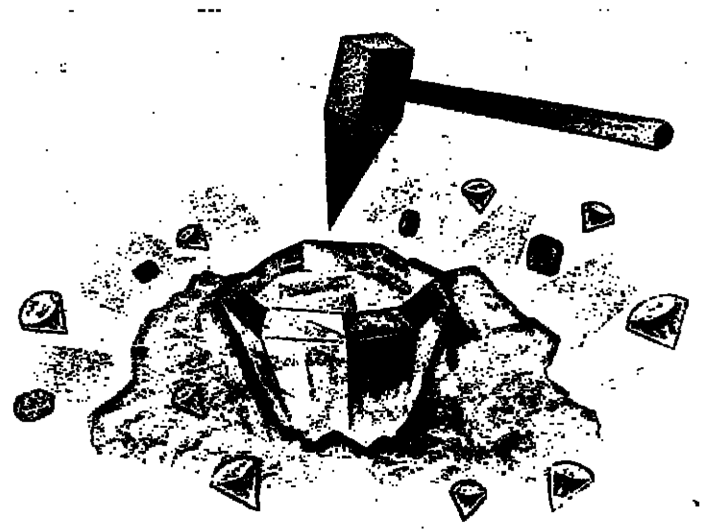

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Cimpor pricing may hit demand, brokers warn

By Peter Wise in Lisbon

Demand for a global offering of 45 per cent of Cimpor, Portugal's biggest cement company, could fall below expectations if excessive optimism drives the government to set too high a price on the shares, brokers have warned.

Although still in the pre-registration stage, retail demand for the offering, worth Es123bn ($796m) at current prices, is a record five times greater than the 16m shares on sale in the domestic tranche.

Demand for 18.96m shares being sold directly to international institutional investors through a bookbuilding system is also strong, with banks reporting demand for 14m shares from Portuguese institutions alone.

As the roadshow promoting the Cimpor sale, due to be completed on October 15, moves from Europe to the US, bankers are hoping for an even bigger success than a record-breaking offering of Portugal Telecom in June.

"The offer will be a tremendous success if it is priced at about Es3,100 a share," a London broker said. "But the top quality institutions will fall away if the government decides to sell at Es3,200 or above." The shares closed yesterday at Es3,271.

Most comparative analyses of Cimpor value the group at about Es3,800 a share. "Institutional investors are looking for an upside of about 20 per cent, and are not prepared to pay much above Es3,100 a share," the broker said. "This is an extremely price-sensitive offering."

By pricing the offer at about Es3,100, analysts believe the government would avoid the risk of Cimpor's share price falling after the sale, and also create a "feel-good factor" for future Portuguese privatisations.

Cimpor, which accounts for about 60 per cent of cement sales in Portugal, has responded to concern over the group's high level of excess cash by announcing plans to invest Es150bn–Es200bn over the next five years on the acquisition of production plants in North Africa or Latin America.

This would increase the contribution of overseas plants from 20 to 50 per cent of total sales, and raise total annual capacity from 6.4m tonnes to about 13m tonnes.

Portugal's next scheduled privatisation is an offer of 13.2 per cent of Banco Totta e Açores, a leading bank, by the end of 1996, followed in the first half of 1997 by a global offering of 25–30 per cent of Electricidade de Portugal, the national power utility, in the country's biggest sell-off.

Based mainly on the sales of Portugal Telecom and Cimpor, the two biggest companies listed on the Lisbon stock exchange, the government has increased its estimate of privatisation revenue in 1996, from Es380bn to Es450bn.

A mature western cement market

% change in cement consumption

	1990	1991	1992	1993	1994	1995	1996*	1997*
World	n/s	4.0	4.9	4.3	5.5	6.0	5.0	4.0
Europe	1.0	–0.5	–1.2	–7.6	3.9	1.7	–1.5	1.0
USA	-1.8	–11.4	–3.8	4.6	7.3	0.6	1.1	–3.0
Asia	2.0	9.7	15.0	9.0	9.0	9.0	8.0	7.0

Source: PCA, ICR Research, James Capel estimates

Leading cement manufacturers

	Enterprise value/sales 1995	Enterprise value/sales 1996	Enterprise value/EBIT* 1995	Enterprise value/EBIT* 1996	Enterprise value/EBIT* 1997
Lafarge	1.17	1.16	8.8	9.4	8.7
Ciments Français	1.43	1.48	9.9	10.9	10.3
Hisalba	1.22	1.28	8.0	8.7	8.6
Valderrivas	2.08	2.08	7.6	7.9	7.4
Cimpor	2.15	2.04	9.4	8.8	7.7
Semapa	2.41	2.27	9.4	8.1	7.6
Holderbank	1.57	1.23	11.7	11.4	10.6
Blue Circle	1.45	1.41	10.5	9.8	8.8

* Earnings before interest & tax Source: HSBC James Capel: Building

Metra held back by weakness at engines unit

By Hugh Carnegy in Stockholm

Metra, the Finnish industrial group, disappointed markets yesterday when it reported a marginal rise in profits in the first eight months of the year, held back by losses at its main diesel-engine making division.

Metra shares dipped FM6.50 on the day to close at FM268.50 in reaction to the company's statement that profits after financial items edged higher, from FM392m in the first eight months of last year to FM395m ($86.6m), well below most analysts' expectations. Earnings per share rose from FM9.25 to FM9.65.

Wärtsilä Diesel performed worst, tumbling from a FM110m operating profit last time to a loss of FM48m. Metra last month announced plans to merge Wärtsilä with the marine diesel engine operations of the Italian state shipbuilder Fincantieri Cantieri Navali Italiana. The deal will create the world's biggest high-power diesel engines for shipbuilding and electricity production.

Performance also fell at Metra's two other main divisions, the bathroom maker Sanitec and Imatra Steel. Operating profits at Sanitec, one of the world's leaders in bathroom equipment, retreated from FM240m to FM213m, while Imatra Steel saw profits slip from FM87m to FM71m. Only a big jump in profits from finance and real estate operations kept group profits ahead.

However, Metra said group sales had risen strongly, from FM5.8bn in the first eight months of last year to FM6.6bn this year. New orders were worth FM7.3bn, well ahead of a year ago.

It said the pattern at Wärtsilä Diesel was for stronger performance in the last four months of the year. The unit had posted an operating profit of FM60m in the second four-month period this year, compared with a virtual break-even result in the same period last year. Orders in the first eight months jumped from FM4.2bn last time to FM5.1bn

Metra said Wärtsilä should achieve full-year sales above FM8bn, almost double the level at the end of August and well ahead of the FM7bn reached last year. The division's full-year profits would be equivalent to last year's, when operating profits hit FM385m.

With a strong year expected from Sanitec, which posted operating profits last year of FM325m, and non-recurring items ahead after disposals, Metra forecast group full-year profits after financial items above last year's FM795m.

EUROPEAN NEWS DIGEST

Bloomberg begins forex deal system

Bloomberg, the financial information service, has stolen a march on its rival Reuters by launching a foreign exchange dealing system aimed at institutional investors. Bloomberg says the new system will cut down the time and cost of making foreign exchange transactions for corporate investors, such as fund managers and hedge funds.

The service is being offered in the London market to clients which subscribe to Bloomberg's network of information terminals. It enables them to access a range of currency quotes from participating banks, and send orders direct to banks. The system will reduce the need for smaller investors to call around a number of banks for foreign exchange prices.

So far, five banks – BankAmerica, Lloyds, BZW, SBC Warburg and NatWest – have signed up with Bloomberg, but several more were waiting in the wings, Bloomberg said. To use the service, investors will need to have existing accounts with the banks involved.

But not all the banks involved are happy with using the system. It could force banks to competitively cut their margins on currency transactions, and lose a chance for interaction with clients. The system was jointly developed by Bloomberg and banking information technology company Cognotech.

A London company, Currency Management Corporation, this week launched a system for executing foreign exchange deals over the Internet, aimed initially at wealthy individuals.

The Bloomberg system is aimed at smaller investors, making transactions worth about $1m-$2m. Mr Richard Comotto, a foreign exchange industry analyst, said Bloomberg's system posed no threat to the larger markets. "The impact will be that the banks who use Bloomberg may capture foreign exchange business from investors who don't tend to deal in huge amounts," Mr Comotto said.

Richard Adams

Kymmene visits Repap mills

UPM-Kymmene, the big Finnish-based pulp and paper group, is one of several international companies showing interest in Repap Enterprises, the Canadian timber, pulp and coated paper producer. Kymmene, which this month said it was considering a New York Stock Exchange listing, has examined Repap's twin-machine coated paper mill in New Brunswick and its team is moving on to Repap's Wisconsin coated paper mill and Manitoba and British Columbia mills this week.

Repap said several other companies were also inspecting the mills, but would not identify them. The company is for sale or merger as a complete unit. Analysts say other companies interested include Champion, International Paper, Consolidated Papers and Weyerhauser from the US and Stora from Sweden.

Robert Gibbens, Montreal

Telekom shares in demand

Deutsche Telekom said more than 2.5m people had expressed interest in buying shares in the company when the first tranche is floated in November. Retail investors have until October 11 to register with the company's share information forum for special incentives including price discounts on shares purchased. The company said this week it has had to double the number of people working at the information forum, which is receiving an average of 70,000 calls an hour.

AFX News, Bonn

■ **Telit Deutschland**, a unit of Telit Galesi TeleCom International, said it had lodged a complaint with the European Commission, calling for Deutsche Telekom to part with its fixed networks, in particular the local ones. Telit Deutschland competes with Deutsche Telekom in network services. It says the German government has violated the EU treaty by transferring ownership of the fixed network to Deutsche Telekom, which dominates the market.

AFX News, Munich

NEC denies Olivetti interest

Olivetti shares rose early yesterday after NEC the Japanese electronics group, denied Italian press reports that it would be interested in buying Olivetti's ailing PC business. The shares reached L545 before closing up less than 1 per cent at L532.

Reuter, Milan

Schroders in Polish role

Schroders, the UK merchant bank, is to advise the Polish government on a pre-privatisation strategy for Polskie Sieci Energetyczne, which runs the country's power grid. The study, which is being paid for by the British government's know-how fund, is to be ready by the end of this year. The Polish government recently approved a privatisation programme for the electrical energy sector.

Christopher Bobinski, Warsaw

BG Bank meets offer demand

BG Bank, Denmark's third largest bank, said it would supplement an over-subscribed offer of 3.4m shares with 341,200 existing shares to meet demand. BG Bank and its advisers J. P. Morgan Securities had priced the shares at DKr226 after the offer, which opened on September 23, closed on Tuesday. BG Bank was created last autumn by the merger of the former state-owned Giro Bank and Bikuben, the savings bank. Over the past year BG Bank's shares have traded in a range of DKr179-DKr236 and closed on Tuesday at DKr228.

Hilary Barnes, Copenhagen

KHD sells part of plant arm

Klöckner-Humboldt-Deutz, the German engineering group, yesterday said it had signed a letter of intent to sell part of its industrial plant business, the division which almost caused the entire KHD group to collapse earlier this year. The Cologne-based group said the sale of its Schmidt-Bretten subsidiary, with sales of about DM38m ($25m), to American Precision Industries, a US company specialising in precision motors and electronic components, would be complete before the end of the year.

Michael Lindemann, Bonn

Novo Nordisk in R&D deal

Novo Nordisk, the pharmaceuticals and enzymes group, has concluded an $18m research agreement with Ontogen, a California research company, which will receive an equity investment from the Danish company as well as milestone royalty payments. The companies will jointly develop compounds for use in the treatment or diagnosis of diabetes care, women's health and human growth, which are Novo Nordisk's core business areas. One of the compounds in which Novo Nordisk is interested may lead to the development of orally active drugs which can supplement insulin in diabetes care, Novo Nordisk said.

Hilary Barnes

EAC sells HK Carlsberg stake

The East Asiatic Company is to sell its 20 per cent stake in the Carlsberg Brewery in Hong Kong to the brewery's two other shareholders, Carlsberg and Swire Pacific. The sale will generate a significant extraordinary income for EAC this year. EAC also announced the sale of a moulded pulp packaging factory, Philmop, in the Philippines, to a Japanese buyer.

Hilary Barnes

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

Australian insurers warned on banks' role

By Nikki Tait in Sydney

Australia's general insurance industry must face up to rationalisation as the big commercial banks move into a market that is already over-serviced, Standard & Poor's, the US ratings agency, has warned. S&P said in an industry review that it expected most of the big banks to establish or purchase general insurance subsidiaries so they could "leverage off their substantial client base".

There are already signs of this happening, with Sydney-based St George Bank pursuing plans to apply for a life insurance licence, and the larger Westpac group looking at the marketing of home contents packages.

"To respond to the banks' expected entry into general insurance, the industry will need to redouble its efforts in expense savings and operating efficiencies, which may encourage further consolidation and expansion of activities offshore," S&P said.

As more insurers became part of global groups, local operations may be encouraged to become more disciplined. "Foreign parents are less likely to accept poor performance, given pressures at home and opportunities abroad," S&P said.

Expansion into the growth markets of south-east Asia would be one possibility – a route which has already attracted a number of the larger companies. AMP Society, Australia's biggest life office, has moved into Indonesia, while QBE, which focuses on general insurance and reinsurance, has established operations across the region.

The US ratings agency suggested the short-term underwriting outlook remained satisfactory, with underwriting cycles likely to be shorter and milder as more discipline became necessary in the face of a low-inflation environment, volatile investment returns and more rigorous accounting standards.

Thai banks rebuild after excesses of the past

Sitting in his majestic new headquarters overlooking the Chao Phraya river, Mr Banthoon Lamsam is pleased. "I'm glad I got this building finished," the president of Thai Farmers Bank says, "because nobody is going to build a building like this in Thailand for a long time."

That is probably a good thing. For all the building's splendour, it is also a symbol of past excesses by Thai banks – excesses reflected in this year's falling profit growth, in rising levels of bad debts and in historic low returns on equity rates throughout the sector.

Constructing sturdier, if less spectacular, houses is now the task. And in spite of a massive sell-off of banking shares over the past few days, the Thai banking system still has a firm base on which to build.

"We are not looking at a crash," says Mr Thirachai Phuvanatnaranubala, director of Financial Institutions Supervision and Development at the central bank. At all of the large commercial banks, he says, provisioning levels are healthy, capital adequacy is strong, loan-to-deposit ratios are comfortable, exposure to the property sector has fallen, and the central bank is sharpening its regulatory tools.

"But the economic slowdown will lead to some painful adjustments," Mr Thirachai says, noting that the asset quality of loans made two or three years ago is his main concern. "For too long banks have been relying on collateral rather than investment strategy, acting like pawn shops."

Analysts trying to determine profits for 1996 and 1997 mention two things: asset quality and margins.But both are in a state of flux. Projections of profit growth for 1997 range from 5 per cent to 20 per cent. The future of asset quality depends on when the economy picks up; but this no one can determine.

While capital positions for the top six banks average 10.7 per cent and ING Barings estimates that cumulative provisions as a percentage of doubtful loans for the top nine banks averages 200 per cent, talk of the need for rights issues in 1997 is making its way around the market.

Margins can be determined, but only after the fact. And the facts are changing. For the past few years, banks have been padding their profits and margins with cheap overseas funds. New central bank regulations announced this week will lift the cost of foreign funds go up and put upward pressure on domestic deposit rates.

The growth of foreign funds in the banking system "has been excessive", says Mr Thirachai. "If you want to grow loans you are going to have to grow your baht deposit base."

Some analysts say that for the bigger banks, which have a large domestic deposit base and are net lenders of dollars, this may help, margins on baht loans being much higher than those on dollar loans. "But small banks are more vulnerable," says one analyst, noting their smaller deposit base, less diverse loan book and lower level of provisionings.

So far, two strategies are emerging. The two most conservative banks, Bangkok Bank and Thai Farmers Bank are scrutinising loan applications more closely, while stocking up on reserves and maintaining high capital ratios.

"Short-term profits are the least of our concerns," says Mr Banthoon.

Bangkok Bank executive vice-president Mr Satit Uthaisri says 1996 earnings growth should be about 8 per cent, after 13 per cent in 1995.

Yet others are not so careful. After an emergency meeting on Tuesday, Mr Olarn Chaipravat, president of Siam Commercial Bank, which has expanded assets aggressively this year while maintaining margins, pledged to shore up confidence with third-quarter results better than expected.

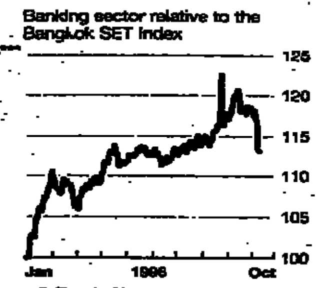
Yesterday the bank released an unaudited balance sheet showing net profit ahead 17 per cent quarter-on-quarter, and an improvement on the 15 per cent profit growth in the first half of the year.

"But," said one fund manager, "that's no confidence-builder. The banks should recognise there are problems and fix them. If not, they are only prolonging the pain."

Ted Bardacke

Lending lines

Figures as %	Non-performing loans: Total loans*	Cumulative provisions: Doubtful loans**	Property & construction loans: Total loans***
Bangkok Bank	3.96	550	13.9
Krung Thai	7.0	105	13.1
Thai Farmers	4.3	200	11.8
Siam Commercial	3.2	225	11.8
Bank of Ayudhya	8.6	250	21.0
Thai Military	10.0	105	17.1
First Bangkok City	5.8	105	15.8
Siam City	n.a.	130	19.8
Bank of Asia	6.8	133	18.9



Source: Company prospectuses, Merrill Lynch, ING Barings, HG Asia *12/95, except BB (3/96), TMB and TFB (6/96) **Estimated ***Actual

ASIA-PACIFIC NEWS DIGEST

Dragonair listing delayed by a year

Dragonair, the Hong Kong regional airline, is not expected to be listed until the end of 1997, according to the carrier's shareholders. The initial plan envisaged a stock market listing by the end of this year or early 1997.

Citic Pacific, the China-backed conglomerate which is one of Dragonair's main shareholders, said the new timing was linked to the fact that the carrier's 1996 profits would not truly reflect its earnings ability. Since a shareholder restructuring earlier this year, Dragonair has added several new routes, including flights to Kaohsiung in Taiwan and Qingdao in China. Profits from these routes will not be fully reflected in the full-year 1996 results. According to Citic Pacific, the shareholder structure after flotation will not be affected by the delay. Its own stake will be trimmed from 28 per cent, while Cathay Pacific, the Hong Kong carrier, and Swire Pacific will hold a combined 20 per cent. CNAC, the commercial arm of the Chinese aviation authority, will hold not less than 35 per cent of Dragonair's shares.

Citic Pacific said a decision on whether to issue new shares in Dragonair would not be taken before it was known whether the airline required more funding for routes, and new aircraft. *John Ridding, Hong Kong*

US bank reveals TNT stake

Bankers Trust, the US-based investment bank, yesterday revealed it had increased to 19.99 per cent its stake in TNT, the Australian transportation company which is the subject of a A$2bn (US$1.6bn) friendly bid from the Dutch KPN group.

The investment bank's Australian arm already held a 16.9 per cent stake in TNT before the KPN offer was announced last Wednesday. This had been built up over the past year, at prices well below the current offer price of A$2.45 a share. *Nikki Tait, Sydney*

Takeda Chemical approval

Takeda Chemical Industries, the Japanese drugs maker, has won approval to use leuplin, its prostate cancer drug, for treatment of pre-menopausal breast cancer and uterine fibroids, benign tumours in the uterus. The new applications will add about Y700m ($6.3m) in sales, raising Takeda's forecast for domestic sales of the drug to around Y23.5bn in the year to March 31 1997. *AP-DJ, Tokyo*

Japanese TV loses cosy glow in digital world

An onslaught of new media has awoken a protected industry

Japanese television viewers have long been restricted to a fairly uninspired staple of variety shows, soap operas, sports programmes and historical dramas offered by large TV networks in a highly protected industry.

But with the arrival of digital TV, Japan's broadcasters are bracing themselves for fierce competition.

Last week, PerfecTV, Japan's first satellite, digital multi-channel service, began offering subscribers 70 channels of programmes ranging from movies to shopping and BBC World. Next year, it will be joined by JSkyB, a joint venture between News Corporation and Softbank, the Japanese software and publishing group, which plans to offer 100 digital channels through satellite. DirecTV, the US company, also plans to set up a multi-channel service.

The onslaught of digital TV is waking up Japan's established terrestrial commercial TV broadcasters, who have operated in the cosy atmosphere of a highly exclusive club. Few Japanese industries have been as protected and as profitable as television broadcasting. Five stations based in Tokyo provide the bulk of national programming, with an 89 per cent share of a market worth Y2,800bn ($25.2bn) by sales, according to the Ministry of Posts and Telecommunications. Industry regulations have restricted competition to NHK, the public broadcaster, and its two satellite channels; small, regionalised and fragmented cable TV operators; and one subscription satellite channel.

"The Japanese broadcasting industry has been a closed one until now," says Mr Hisashi Hieda, president of Fuji Television Network, one of the five main stations. As a result, none of the main broadcasters has made a loss in Japan.

With the start of multi-channel digital broadcasting, terrestrial commercial TV stations could see their share of the market slip to 67 per cent by 2010, the Ministry of Posts and Telecommunications estimates. While the overall commercial TV market is expected to more than double by 2010, the commercial terrestrial broadcasting market is only forecast to grow 1.6 times. In contrast, the ministry believes cable TV could expand more than sixfold and satellite broadcasting more than seven-fold by that time.

A realignment of cable TV operators is leading to larger, stronger companies, capable of winning a larger share of the market.

Meanwhile, satellite TV is expected to raise household penetration from 20 per cent today to 85 per cent by 2010, including those receiving satellite programmes through cable TV, and to increase its market share from 3 per cent to 11 per cent over the same period.

PerfecTV aims to sign up 1m households within three years. DirecTV and JSkyB are likely to come up with similarly aggressive targets.

"Japan's broadcasting industry is entering a historical transformation due to digitalisation," says Mr Takeo Mutai, director-general of the media planning and corporate development department at Nippon Television Network, one of the main broadcasters.

One unknown is whether there is sufficient demand for the wave of new programming. "There is concern that there may not be enough demand; that going into satellite broadcasting will not be profitable enough and that there won't be enough software to supply the growing number of channels," says Mr Hieda.

What the industry is certain of, however, is that the era in which five networks were able to share Japan's rich advertising pie – last year worth Y1,755.3bn, according to Dentsu, Japan's largest advertising agency – among themselves, is over. Competition for viewers will also intensify. "With an increasing number of channels available, viewers should become very selective, [and] there will be a clear distinction between the winners and losers in this market," said Ms Nanako Sakaguchi, analyst at Kleinwort Benson in Tokyo.

This week saw the establishment of Discovery Japan, which offers documentary programmes produced by Discovery Communications, the US company that runs the largest channel of that type in the world.

Meanwhile, small production companies, which have depended on the networks to buy their programmes, have a new market. In a bid not to lose out, broadcasters are brushing up on their own production skills. "Television is going to change," says Mr Hieda. "And unless terrestrial broadcasters change with it, they will lose out to other media."

Michiyo Nakamoto

Fiat announces details of New Holland float

By Haig Simonian, Motor Industry Correspondent

Fiat, the Italian industrial group, is set to raise up to $1.23bn from the sale of a minority stake in its New Holland farm and construction equipment subsidiary at the end of this month.

The company yesterday revealed it would float at least 31.2 per cent of New Holland at between $20 and $23 a share. Including the over-allotment option, the stake listed could rise to almost 36 per cent of New Holland's capital.

The proceeds of the deal, which will raise a minimum $930m, will be used entirely by Fiat to lift its 1996 results. Earlier this year, the company said extraordinary income from asset sales and other transactions would be used to ensure this year's net earnings remained in line with the L2.147bn ($1.41bn) achieved in 1995, in spite of falling margins in the core cars business.

The flotation, which is expected go ahead on October 31 after final pricing the previous day, is one of the biggest cash-raising exercises by Fiat in recent years. It signifies a return to its tendency to resort to asset sales to lift earnings at difficult times in the car market.

In the early 1990s, Fiat embarked on a string of sell-offs, including its big Rinascente stores chain, to bolster profits. The group's decision to float New Holland, which has been painstakingly assembled and turned round over the past five years, may have in part reflected the collapse last year of a plan to raise about L700bn, by injecting its chemicals and bio-medical activities into the complex merger of Gemina, an investment company, and the Ferruzzi Finanziaria holding group.

New Holland is one of the world's top three agricultural and construction equipment groups, with sales of $5bn last year. That ranked it behind John Deere, but on a par with Case. New Holland is the only big producer not to be quoted.

Unlike its US rivals, New Holland's business is broadly divided between North America, Europe and the rest of the world.

Its strength is in tractors: the company claims to build one in five of the world's tractors, excluding the former Soviet Union.

New Holland claims to build a fifth of the world's tractors

Since its creation in 1991 after Fiat's acquisition of Ford's farm equipment businesses, New Holland has almost doubled sales. Earnings have swung from a loss of $448m that year to net profits of $259m in 1995. In the first half of this year, net profits reached $181m, against $173m last time.

Lex, Page 18

Change of culture sought at ADM

Pressure for boardroom change has intensified, but few expect an easy victory

Institutional shareholders of Archer Daniels Midland, the large US grain processor currently under investigation by the US government for alleged price-fixing, will press for a stricter definition of the post of outside director at ADM's annual meeting next week in Decatur, Illinois.

All of the five shareholder proposals tabled for the October 17 meeting concern board composition or voting rules, despite a year-long effort by ADM to reform governance.

Two powerful institutions – the Florida State Board of Administration and the California Public Employees' Retirement System – want the majority of ADM's board to be independent directors. The board is currently dominated by people either related to Mr Dwayne Andreas, ADM's long-serving chairman, or close friends of his.

"These proxy issues, while substantive on their own, are in a way a vote of no confidence in the board," says Mr Roland Machold, director of the New Jersey Division of Investment, which holds a $60m stake in ADM. "The situation has all the appearances that they're trying to muddle through with the least amount of concessions possible while maintaining the maximum amount of insider control."

A board committee appointed last year to respond to the price-fixing investigation recommended reducing the board from 17 members to 12 and imposed a mandatory retirement age of 70. Eight directors closely affiliated with Mr Andreas will leave this year.

However, some shareholders believe the reforms do not go far enough. "Several important [shareholders] think ADM has just glossed over the problem," says Ms Shirley Westcott, senior analyst at Institutional Shareholder Services, a US shareholder rights group.

Shareholders will be asked to add three new independent members to the board. However, dissenters say two of the nominees are hardly outsiders: Ms Mollie Hale Carter, a daughter of a retiring director and niece of a continuing board member, and Mr John Block, a former US agriculture secretary, who serves on at least one agribusiness board with Mr Andreas.

The FSBA and Calpers proposal would exclude anyone who is a relative of an ADM insider; has been an executive of the company or any of its affiliates in the past five years; has worked for a contractor or supplier of the company; has worked at an institution which has received funding from the company; or is an officer of a company on which ADM's chairman serves as a board member.

ADM says such a definition would severely limit its pool of qualified director candidates, and is recommending a no vote. Few expect the new board to be defeated.

Mr Andreas's tight rule has served the company well for 20 years. However, it appears that something in ADM's corporate culture has gone seriously wrong. The company has already agreed to pay $90m in damages to customers and shareholders to settle three civil lawsuits related to price-fixing for lysine and citric acid, animal feed additives manufactured by ADM. A fourth suit, by ADM's corn syrup customers, is still pending.

Lawyers believe ADM settled the civil suits in advance of a plea-bargain with the US government on potential criminal charges against the company and two of its senior executives, including Mr Andreas's son, Michael. If indicted, the executives could face fines of $350,000 each and three years in prison, while the company could be asked to pay $100m in penalties.

The investigation has kept ADM's stock price under pressure for a year, in spite of a significant dividend increase, while 1996 earnings, at $695.9m, were off $100m from 1995.

"The question for shareholders is, is this company going to sin again? What controls are in place?" says Mr Machold, of the New Jersey Division of Investment. "This is extremely important, because so much of what the company does is dependent on what the government does in the way of trade and farm subsidies."

Yet even against such a backdrop, no-one who knows Mr Andreas expects him to be subdued at this year's annual meeting. Last year, the chairman packed the meeting with cheering employees, refused to answer questions regarding the government investigation (lawyers had advised against it) and silenced unpleasant queries by switching off offending microphones.

Laurie Morse

US banks held back by one-off charges

By John Authers in New York

Barnett Banks and First Bank System launched the third-quarter reporting season for US commercial banks yesterday with results which included heavy one-off charges incurred to recapitalise the Savings Association Insurance Fund (SAIF), which will bail out the thrift industry.

Barnett, based in Florida, took a charge of 8 cents per share, limiting its net earnings to 65 cents, identical to the same quarter of 1995. Net income for the quarter totalled $127m, against $134m last time.

Minnesota-based First Bank System took a charge of 22 cents per share after tax, to limit earnings to 98 cents against $1.06 previously. Net income was $137.5m, against $145.7m.

The deal to recapitalise the SAIF followed months of negotiations in Congress, and bitterly divided the banking industry. It became law last month, and requires banks to contribute $5.6bn, while those owning thrift deposits must pay a total of $2.5bn. The thrift industry itself must contribute $4.8bn.

In the long term, the plan is to draw a line under the collapse of the savings and loan industry by amalgamating the thrift insurance fund with the much stronger banking insurance fund.

The charges had been expected, and shares in both Barnett and First Bank System remained broadly stable in early trading.

Barnett's operating profit for the first nine months was $430m, up from $395m. The bank managed to increase margins, with non-interest income up 7 per cent to $194.9m and consumer finance income ahead by 30 per cent.

First Bank saw operating profits, before the insurance fund charge, increase by 16.1 per cent to $169.1m.

AMERICAS NEWS DIGEST

Chilean brewer in $238m share issue

Compania de Cervecerias Unidas, a Chilean brewery, is planning a $238m capital increase through the issue of new shares, some of which will be sold abroad as American Depositary Receipts. The company will hold a shareholders' meeting on October 24 to approve the increase, said the statement sent to the Securities Superintendency. CCU did not give details of how it would invest the funds. The Chilean Newspaper, El Diario, said the company might use the proceeds to take control of Ecusa, a local soft drinks producer, by buying the stake held by Buenos Aires Embotelladorás (BAESA), the troubled Argentine bottler. In 1994, CCU agreed a joint venture with BAESA, Argentina's largest Pepsi bottler, which resulted in the formation of Ecusa to distribute Pepsi in Chile. Other plans could include investments in Peru, the newspaper said. *Reuter, Santiago*

Kmart to realign businesses

Kmart, the US retailer, plans to merge many of its Kmart Canada business functions into its US operations, in order to maximise efficiencies and support the operating and financial performance of its Canadian operations.

Under the realignment, Kmart Canada's financial, systems, store operations and other administrative support functions will begin merging into Kmart's headquarters in Troy, Michigan, this month and will be completed in 1997. Remaining functions in Kmart Canada's Brampton, Ontario, office will include executive management and merchandising functions.

The realignment will result in a workforce reduction of about 150 positions by the end of 1997 at Kmart Canada's head office in Brampton. *AP-DJ, Michigan*

Delta takes $20m charge

Delta Air Lines will record a $20.3m non-operating charge for the settlement of a lawsuit with the American Society of Travel Agents in September. The company did not provide a per share estimate for the charge, but said it expected to report strong revenue results for the September quarter, in spite of unit costs that were slightly higher than previous estimates of 8.7 cents per available seat mile. The company attributed the higher costs to increased jet fuel prices, higher technology development expenses, and additional revenue-related expenses. *Reuter, Atlanta*

USAir plans low-cost flights

USAir, the US airline in which British Airways has a 24.6 per cent stake, is in talks with its pilots' union over the creation of a low-cost operation between the Northeast and Florida that will compete with a similar service by Delta Air Lines and other "no-frills" carriers, according to media reports. The new service would probably be marketed under a separate name, similar to Delta Express, the low-cost version of Delta Air Lines launched this month, the reports said.

However, USAir must first get concessions from its unions to allow it to operate the new service. On September 20, the Air Line Pilots Association gave approval for formal talks with management. ALPA spokesman Mr David McLarney said USAir was considering a "no frills" operation. Typically these flights have no food service, and pilots and crew members are paid less but fly more hours. *AP-DJ, New York*

AT&T makes early move to steal PCS competitors' thunder

AT&T moved last week to outflank its mobile telephone rivals – and for its shareholders the assault did not come a moment too soon.

The US's biggest telephone carrier has spent much of this year being outflanked itself in its core business of long-distance calling. With companies such as MCI and Sprint expanding their business in this area twice as fast, Mr Bob Allen, AT&T chairman, has been thrust on to the defensive.

Mr Allen has at last come out fighting. In the process, he has also fired the first shot in a battle for supremacy of the US wireless airwaves, just as a host of new mobile telephone competitors prepare to enter the market.

AT&T's move displayed a chutzpah which has been singularly lacking recently. In a well-hyped announcement, the company presented what it described as the very latest in mobile telephone technology – something it described as "Digital PCS".

This, though, is not the PCS for which the US telecommunications industry has been waiting. An abbreviation for Personal Communication Services, true PCS uses a high-frequency part of the radio band to transmit signals which, its supporters claim, give far clearer sound than cellular signals.

A wave of these PCS services will hit the US's biggest cities over the next 12 months, multiplying the number of mobile services available in each market from the current two carriers to as many as eight.

A massive investment has gone into this opening up of the airwaves. Over the past 18 months, telephone companies have agreed to pay the federal government a combined $18bn for licences to use three of the six PCS bands. The other three are currently up for auction. The networks needed to carry PCS signals are expected to cost as much again.

AT&T itself paid $1.7bn for PCS licences, giving it the right to sell services in cities such as Chicago, Atlanta and Washington DC. However, its so-called "Digital PCS" launched last week has nothing to do with this: instead, it is a new brand for an upgraded, low-frequency cellular service.

This is more than a question of frequencies. By acting early – and brazenly laying a claim to the PCS name – AT&T has moved to steal its competitors' thunder.

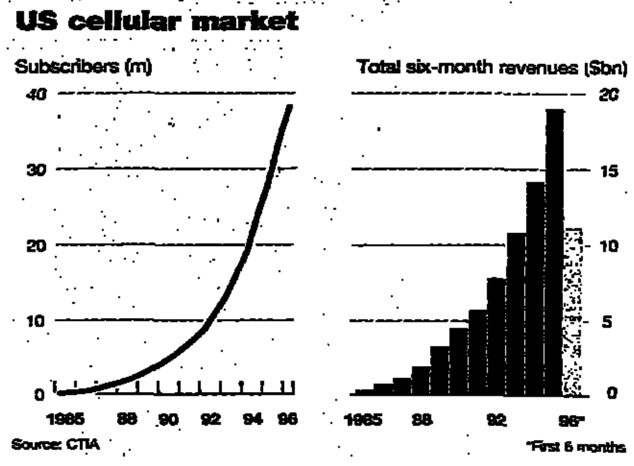
It has also staked out its ground ahead of the coming mobile telephony battle. By converting its cellular signal from analogue to digital, AT&T has been able to add a range of new services, including paging, e-mail and high-volume data transmission – services which will also be available through PCS services.

"Customers really don't care about frequencies," said Mr Allen last week. "They care about services."

Also, AT&T has launched the new service with a flat charge of 60 cents a minute for "roaming" calls (those made outside a caller's local area). With roaming currently costing as much as 99 cents a minute, this marks the first shot in a price war that will bring down the cost of mobile telephony to a level where it becomes far more attractive to a mass market of private users.

"This was a really bold and aggressive move by AT&T," says Mr Bob Egen of

US cellular market



Source: CTIA
*First 6 months

Gartner Group, a consultancy.

Rivals such as Sprint – which, through a partnership with three cable TV companies, will be the biggest PCS operator – say "Digital PCS" will still fall short of true PCS in terms of sound quality. It will also lack other benefits that PCS supporters claim technology will bring, such as a signal that is more secure.

However, AT&T has done much to shift the focus of the coming battle away from technology and towards questions of price and service. In the process, it has helped to protect its huge investment in the cellular business. It paid $13bn to buy McCaw Cellular in 1994, and has sunk billions of dollars in upgrading its network to carry digital signals. The new digital signal and marketing ploy will counter rivals' attempts to depict cellular as a "sunset" industry.

The switch to flat-rate charging also takes AT&T a step closer to the simplified pricing structure with which it hopes to sell "bundles" of services to its customers. Earlier this year came an Internet access service priced at $19.95 a month (it has attracted 400,000 customers so far). Last month, Ma Bell added a flat rate of 15 cents a minute on long-distance calls. Together with local calling and DirectTV, the satellite television service in which AT&T is a minority shareholder, these represent a package of services that it plans to cross-sell to its customers.

Mobile telephony is likely to be a big part of the picture. Wireless communications revenues in the US grew about 30 per cent, to more than $20bn, in the 12 months to end-June – before the advent of PCS. That compares with an annual growth rate of only about 7 per cent in the country's $75bn long-distance industry.

Much will depend on how far wireless calling rates fall, and how fast – and how quickly the lower costs stimulate demand. In an industry which is growing quickly, however, AT&T's attempt to get out ahead of the competition is likely to put it in a strong position.

Richard Waters

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COMPANIES AND FINANCE: UK

UniChem and Gehe expected to be in a position to re-bid this month

Lloyds Chemists battle set to resume

By Christopher Price

The battle for Lloyds Chemists is set to resume later this month after the drug store chain yesterday said it expected the government to approve undertakings made by UniChem and Gehe to allow their bids to proceed.

Mr Michael Ward, Lloyds' managing director, said: "We believe the companies' submissions will meet with approval and expect them to be in a position to re-bid by October 18." That was the deadline set by the department of trade and industry for Gehe, of Germany, and UniChem, of the UK, to provide heads of agreement to sell most of Lloyds' wholesale drugs distribution businesses to allow them to pursue their bids. UniChem and Gehe, the two largest pharmaceutical wholesalers in the UK, made their submissions to the DTI two weeks ago. Lloyds, keen to get the auction process restarted following the referral to the monopolies and mergers commission in July, has also provided heads of agreement to sell the wholesale businesses. A decision from the DTI is expected shortly after next week's deadline.

Lloyds yesterday reported a 15 per cent decline in annual pre-tax profits to £47m, which it blamed on the distraction of the bid battle, in its ninth month.

The occasion was used by all three parties to continue takeover hostilities by proxy. Mr Ward said the results showed the company was in good shape, despite the summer's profits warning.

Gehe is keen to bid below its last offer of £650m i cash, which lapsed on refer to the MMC. It questione Lloyds' margin performanc at its core retailing opera tion and the consequen implication for valuation.

The German group als took a swipe at its riva suitor: "If UniChem tried t repeat its final offer wit Lloyds in its current state, i would be even more heavil dilutive."

Dividend move hits Allders

By Peggy Hollinger

Allders, the UK retail group, may have to pay some £1.5m ($2.34m) in compensation to option holders, following the decision by Mr Kenneth Clarke, chancellor, to scrap tax benefits on some special dividend schemes.

The group said yesterday it would abandon plans for a 15-for-19 share consolidation which was to accompany its £50m special dividend to shareholders.

It said the consolidation would jeopardise the tax relief available to some shareholders. The special payment follows the sale earlier this year of Allders' duty free business to Swissair for £160m.

Mr Harvey Lipsith, chief executive, who owns 250,000 options, said the company intended to compensate option holders fully. However, a decision on the method was not likely until the finance bill is published.

Shareholders will be asked at today's extraordinary meeting to reject the resolutions relating to the consolidation. If they are rejected, the company will reintroduce a proposal to pay the 46p dividend.

● Reuters yesterday adjourned the extraordinary meeting called to approve its innovative plan to issue special dividend shares, because of the chancellor's decision.

Capital Re to acquire RGB

By Jim Kelly, Accountancy Correspondent

Corporate investment in Lloyd's of London continued at a rapid pace with the announcement yesterday of two further acquisitions of managing agencies with combined syndicate capacity in excess of £170m.

Capital Re, the New York-based reinsurance group with assets of more than $1bn, said preliminary agreement had been reached for the acquisition of the parent company of RGB Underwriting Agencies. RGB manages three syndicates with a 1996 underwriting capacity of more than £100m. Capital Re also plans to set up a corporate member at Lloyd's to support underwriting on the syndicates.

Mr Michael Satz, chairman of Capital Re, said the company wanted to diversify into speciality products to maintain earnings growth and "a return on equity in the mid-teens". Capital Re's move fits a trend of US capital seeking growth in the Lloyd's market.

Separately, CLM Underwriting, a subsidiary of CLM, the Lloyd's investment fund, has signed an agreement to acquire JH Chappell, a Lloyd's agency with an anticipated syndicate premium capacity for 1997 of £30m. It will pay £574,000 for Chappell through cash and redeemable preference shares in CLM Underwriting.

Eurovein back in the black

By John Hamilton

Eurovein shares rose 26 per cent after the specialist engineer moved back into the black with profits of £1.4m ($2.2m) for the year to July 31, after incurring a loss of £1.2m last time.

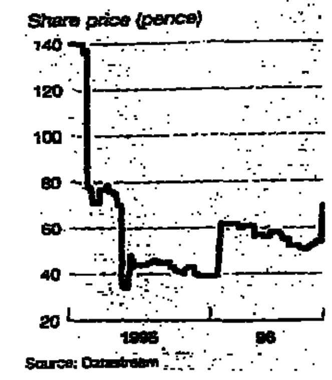
Turnover was £39.4m (£32.6m) as the company recovered from operational problems and delayed equipment sales in 1995.

Operating profits at the surface treatment division were £1.5m (£200,000), benefiting from higher sales to east Asia and continental Europe.

The components division, which makes machine tool slideways and blades for the UK and German markets, showed operating profits o £1m (£604,000).

The filtration division based in France, trimmec losses by half to £121,000.

Eurovein



Source: Datastream

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Austin Reed	6 mths to Aug 10	38.9	(36.3)	2.28	(1.38)	4.9	(3)	2.25	Dec 2	2	-	6
BNB Resources	6 mths to June 30	56.3	(48.8)	2.35	(1.77)	6.9	(5.4)	2.4	Nov 29	2	-	6.4
CTR	3 mths to July 31	31.1	(37.9)	1.6♥	(5.8L♠)	1.1†	(5.2L)	-	-	-	-	nil
Country Casuals	6 mths to July 27	23.7	(22.8)	0.918L	(1.05L)	3.07L	(3.47L)	1.7	Dec 16	1.41	-	5.41
Delaney	6 mths to June 30	10.8	(9.56)	0.083L	(0.396L)	0.1L	(0.3L)	-	-	-	-	nil
Eurovein	Yr to July 31 ☆	39.4	(25.9)	1.36♠	(0.825L♠)	9†	(5.3L)	2	Jan 2	nil	3	0.51
Incepta	6 mths to Aug 31	8.63	(12.2)	1.07	(0.304L♥)	0.62	(0.13L)	nil	-	nil	-	nil
Jones ♣	6 mths to June 30	49.4	(43.2)	2.4L♠	(1.49♥)	18.8L	(11.1)	nil	-	4	-	8
Lloyds Chemists	Yr to June 30	1,136	(1,082)	47♠	(42.2♠)	24.58	(22.26)	7.3	Dec 4	7.3	10.4	10.2
Queensborough	6 mths to July 31	13.9	(1.59)	0.848	(0.035)	0.8	(nil)	-	-	-	-	-
Riva	6 mths to June 30	32.3	(34.7)	0.9L	(0.058)	3L†	(0.2L)	nil	-	nil	-	nil
Silentnight	6 mths to Aug 3	98.8	(85.2)	4.9	(3.72)	8.99	(5.22)	3	Jan 2	2.75	-	8
Systems Int Φ	Yr to May 31	1.25	(1.9)	0.642L	(0.042L)	5.8L	(0.4L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Asian	46 wks to July 31	101.96	(-)	0.549	(-)	1.57	(-)	1.2♦	Nov 28	-	1.2	-
Govett Global	6 mths to July 31★	111.82	(96.45)	0.106	(0.076)	0.49	(0.35)	-	-	-	-	-
3i Smaller Quoted	6 mths to Aug 31★	175.5	(151.9)	1.35	(0.907)	2.32	(3.36)	0.94	Nov 15	0.94	-	4.42♦

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☆ Comparatives for nine months. ♣Irish currency. ΦAim stock. ♦Includes special. ★ Comparatives restated.

PUBLIC NOTICES

Broadcasting Complaints Commission

In December 1994, Central Television broadcast a programme in the Cook Report series called Bad Medicine. It set out to highlight the activities of "quacks cashing in on the hopes and fears of cancer patients". According to the programme, one of the people investigated appeared to offer magnetotherapy as a cancer treatment. During the programme she was shown apparently offering a magnetotherapy machine for sale to an undercover researcher. A photograph of a magnetotherapy machine was also shown, the machine being one manufactured and sold by a Danish company. Mr Erik Nielsen, the company's general manager, complained through Mr Coghill of Coghill Research Laboratories to the Broadcasting Complaints Commission that the programme had unfairly suggested that his machine was dangerous and that magnetotherapy had no beneficial aspects.

The Commission consider that the programme's unqualified use, albeit fleetingly, of the phrase "extremely dangerous" - notwithstanding its statement that magnetotherapy "may have some legitimate uses" - can hardly have been less than detrimental to Mr Nielsen. There was therefore some unfairness to him in this respect. That said, the Commission note that the programme did not refer to Mr Nielsen by name and did not suggest that Mr Nielsen himself had made any claims that this machine could cure cancer. They can understand Mr Nielsen's objection to one medical expert's statement that "there is no evidence whatsoever that electromagnetic field therapy is therapy for anything". This was, however, the contributor's own opinion about magnetotherapy in general and the Commission find no unfairness to Mr Nielsen in that respect.

You can get a copy of the full adjudication by sending a stamped addressed envelope to: Broadcasting Complaints Commission, 7 The Sanctuary, London SW1P 3JS.

LEGAL NOTICES

NOTICE TO BONDHOLDERS
LEGAL & GENERAL GROUP Plc
(the "Company")
£120,000,000 6 ¾ percent Convertible Subordinated Bonds Due 2008
(the "Bonds")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that, as a result of the re-organisation of the Company's share capital, the Conversion Price of the Bonds has, pursuant to the provisions of the Trust Deed constituting the Bonds, been adjusted from 359p to 223p per share, with effect from 5pm on 9 October 1996.

10 October 1996
Legal & General Group Plc,
Temple Court,
11 Queen Victoria Street,
London,
EC4N 4TP.
Registered No. 1417162

Durban Roodepoort Deep Limited
(Registration No. 01/00928/06)

East Rand Proprietary Mines Limited
(Registration No. 01/03086/06)

(Both companies incorporated in the Republic of South Africa)

NOTICE OF ANNUAL GENERAL MEETINGS

Notice is hereby given that the annual general meetings of the undermentioned companies will be held at 5 Press Avenue, Selby, Johannesburg, South Africa on Thursday, 28 November 1996 at 09:45.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, act, speak and vote in his stead. A proxy need not be a member of the company.

A holder of a share warrant *to bearer who desires to attend or be* represented at the meetings of the above mentioned companies must produce his share warrant or a certificate of his holding from a banker or other approved person at the bearer reception office of the United Kingdom registrars, transfer and paying agents or he must produce his share warrant at the office of the French agents in both cases at least 5 clear normal business days before the date *appointed for the holding* for the meeting, and shall otherwise comply with the "Conditions governing share warrants" currently in force. Thereupon, a proxy or an attendance form under which such share warrant holder may be represented at the meeting will be issued.

Registered Offices:
5 Press Avenue
Selby
Johannesburg
8 October 1996

By order of the Boards
Randgold & Exploration Company Limited
Secretaries
per DJ Haddon

The 1996 Annual Reports for both companies have been posted today and copies are available for holders of share warrants to bearer from the UK Secretaries Viaduct: Corporate Services Limited, 19 Charterhouse Street, London EC1N 6QP.

Inchcape sells ITS arm for £380m

By Ross Tieman

Charterhouse Development Capital and Bankers Trust are planning a ground-breaking £120m ($187.2m) US bond issue to part-finance their £380m purchase of Inchcape Testing Services (ITS) from Inchcape, agreed yesterday.

Although such issues have been employed in US and continental European deals, this is thought to be the first time a UK venture capital deal has been financed using cash from the bond markets.

Along with the demerger of insurance broker Bain Hogg, due next month, the sale of ITS forms a key plank in Inchcape's restructuring under Mr Philip Cushing, chief executive. ITS originated as a support function for Inchcape's international trading operations. Based in London, ITS employs about 6,500 staff in more than 80 countries. It tests and certifies product quality, evaluates minerals, and carries out environmental monitoring under contract to companies globally. During 1995, it made pre-exceptional operating profits of £27.8m on revenues of £284m. Almost half its income is in US dollars.

It has only two comparable competitors: Underwriters Laboratories in the US and Société Générale de Surveillance in Switzerland.

The new ITS will have £90m of conventional equity. Of that, £15m will be in the hands of managers, led by chief executive Mr Richard Nelson. The rest will be owned by Charterhouse, or sold down to client funds.

A further £50m of funding will come from Bankers Trust in the form of preferred equity. The remaining funding will come from £140m of senior debt and the bond issue.

The bonds will replace mezzanine funding commonly used in buy-outs. Denominated in US dollars and issued by Bankers Trust, they will enable the company to borrow at an annual interest rate of about 11 per cent.

Thanks to its strong cash flow and rapid sales growth, ITS was well placed for an early flotation in London or New York. Mr Cushing said he was delighted with the price achieved for the business. It was well above the £330m originally envisaged by analysts. Inchcape will declare an exceptional pre-tax profit of £180m arising from the disposal. Proceeds will help reduce Inchcape's borrowings, which were £510m, to give a gearing rate of 74 per cent, on June 30.

The takeover that brought spark

Christopher Price takes the longer view of Farnell's audacious bid for Premier

It has been a torrid summer for the UK's electronic component distributors. A slump in semi-conductor prices has affected other components, hitting distributors of bulk supplies to large customers particularly hard.

Among the "volume" distributors, recent months have seen poor results from Diploma, while Abacus Polar and Eurodis Electron have both issued profits warnings.

Not surprisingly, the groups' shares have declined as analysts have cut profit forecasts. Against a 6 per cent rise in the FTSE All-Share in the past six months, Abacus shares have almost halved, Eurodis has declined 37 per cent with Diploma down 15 per cent.

Howard Poulson: the acquisition 'improves the quality of our earnings'

Amid the rash of red pens, Mr Howard Poulson, chief executive of Premier Farnell, might be forgiven a smug smile. Earlier this year, as Farnell Electronics, the group polarised City opinion and prompted a widely-publicised shareholder revolt as it launched an audacious $1.85bn (£1.18bn) agreed bid for Premier Industrial Corporation of the US, a company twice its size.

There was concern over the merged company's levels of debt, the dilution to earnings and the Wetherby-based management's ability to run the world's third largest electronic component distributor. However, these were countered by Mr Poulson and his team as a one-off opportunity to buy critical mass in a fragmented industry.

But the purchase also had the effect of lowering Farnell's exposure to the volume market, as Premier is concerned purely with distributing components via catalogues, mostly to small businesses. This is a higher margin operation than volume, while the variety of components has offered protection against the semi-conductor downturn.

Prior to the merger, about a third of Farnell's revenues were derived from the volume business. Now, about 85 per cent of Premier Farnell's revenues are drawn from catalogue distribution.

It is an important distinction and while the company has suffered cuts to profit forecasts in recent weeks, the revisions have not been of the magnitude seen for the pure volume distributors. As a result, its shares, although buffeted by continuing concerns over the merger, have managed to maintain their value of six months ago. Electrocomponents, a purely catalogue business, has seen its shares rise 10 per cent in the same period. Mr Poulson says the more cyclical nature of the volume business was one of the strategic reasons for the Premier purchase. "This deal improves the quality of our earnings."

Mr James Heal of Hoare Govett, one of the company's sharpest critics, believes the US purchase is increasingly looking like a defensive move in the face of severe margin pressure in the volume business and a slowdown in the European catalogue business. "This raises yet more questions over the price they paid for Premier," he says.

While agreeing the short-term outlook is dull for both company and the sector, Ms Sue Cox at UBS says the long-term outlook for Premier Farnell is positive, particularly if it can exploit its dominant position in introducing incremental revenue streams and new catalogues.

Profit forecasts for the company, which were cut by between 7 and 18 per cent recently, are clustered around £63m for the half year. This compares with £36m at the same stage last year, but with the business of that period bearing little resemblance to that of today.

For the full year, profits of about £145m are forecast. This puts the shares on a prospective p/e of more than 19 times – a 35 per cent premium to the market and at only a slight discount to Electrocomponents. But this falls to 16.3 for Premier Farnell in the year to January 1998, and to 13.5 times in 1999. The corresponding figures for Electrocomponents are 21.5, 19.1 and 17.1.

"Given the worsening earnings outlook and the risks associated with integrating Premier, a market rating would be more appropriate," believes Mr Heal.

Attention will also be focused on the company's search for a new chairman following Mr Richard Hanwell's decision to step down at the end of the year. Mr Poulson says the short-list is down to five and he would prefer somebody with a City profile. Given the division of opinion in the Square Mile, the appointment will be a crucial one.

Eurotunnel shares still on the slide

By Andrew Jack in Paris and Motoko Rich in London

Shares in Eurotunnel continued to drop in Paris and London yesterday, as shareholders digested news of Monday's complex financial restructuring plan.

In Paris the shares fell 10 per cent to FFr7.50 on the second day of trading after the suspension was lifted. In London the shares lost 12p to 93p ($1.40).

Analysts suggested the drop was the result of institutions unwinding short positions, was well as disappointment by investors over the restructuring plan to reduce the costs of servicing the £9.1bn (FFr70bn) of bank debt.

Some shareholders were expecting intervention from either the UK or French governments, or a debt write-off, rather than modifications to reduce its repayment terms and extend its duration.

Others were concerned that the stake held by shareholders would be diluted well below 40 per cent if there was a full conversion into equity of the bank debt, agreed under the terms of the deal.

"The dilution could be a lot more than was talked about on Monday," said one analyst. He said that if some of the debt instruments were converted to equity, existing shareholders' interests could drop to as low as 24 per cent of the company.

Mr Patrick Ponsolle, joint chairman, warned this week that there was still little more than a one-in-two chance that the plan would be approved.

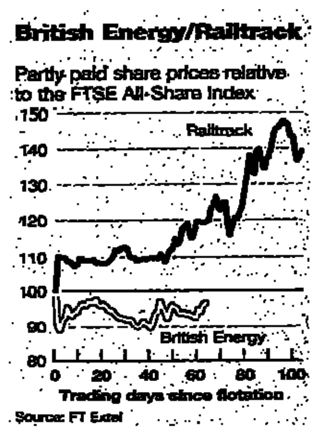
CORRECTION

Eurotunnel

Mr Patrick Ponsolle, chairman of Eurotunnel, said that in 1996 the group would increase turnover by more than 50 per cent, not double it as reported in yesterday's Financial Times.

LEX COMMENT

British Energy



Poor old British Energy. Three months after the nuclear generator was privatised, its shares are still languishing. Even plans to sack nearly a quarter of the workforce – significantly tougher cost-cutting than was generally assumed at flotation – have done little to get the price moving. Of course, Railtrack too had a dull few months before its shares blossomed splendidly. But British Energy faces a bigger problem: pervasive worries about future electricity prices. Partly, this gloom is justified; oversupply in the "baseload" power generation market is, if anything, worsening. On the other hand, there is no sign of the bloody price war some feared Hanson might provoke. And British Energy is doing better than many expected at keeping its stations running – and therefore its revenues flowing.

It is difficult too to believe the share price is not underrating the company's formidable cashflow. British Energy's dividend growth potential looks far greater than the management has led investors to expect – or the fully-paid stock's 8.4 per cent prospective yield would imply.

How likely can a dividend cut be, when even bearish electricity price assumptions leave the company with cash cover of a fat 3 to 4 times in 2000?

True, persuading the management to pay cash out rather than spend it on pet projects may require a spot of shareholder pressure. But if electricity prices come under serious threat, this should not be too much to ask.

Brit Energy shelves power station plan

By Simon Holberton

British Energy, the nuclear utility which yesterday announced a 23 per cent cut in its workforce, has shelved plans to build a gas fired power station at its Heysham site, near Lancaster.

Mr Robert Hawley, chief executive, said British Energy was "not in the market to build a big new power station of any sort" in the UK or elsewhere.

The Heysham project, where the company had hoped to fit a combined cycle gas fired unit, had been shelved due to insufficient transmission capacity at the site, he said.

Mr Hawley made it plain that British Energy would look to its cost base before seeking expansion opportunities.

He made these comments after British Energy confirmed that it planned to cut staff by 1,460 to 4,800 over the coming three years. The staff cuts, which have been provided for and will cost £100m ($156m) over the period, will produce cost savings of £50m a year, the company said.

It said the savings were directed at further improving the efficiency of its operating subsidiaries, Nuclear Electric and Scottish Nuclear.

European high-yielders recover their momentum

GOVERNMENT BONDS

By Richard Lapper, Capital Markets Editor

After weakness earlier in the week in Italy and Sweden, Europe's high-yielding markets recovered their momentum yesterday. The US dollar's firmness against the D-Mark provided some initial support for the high-yielders. Moreover, analysts said investors feel that European convergence is assuming a momentum of its own.

"Most investors are convinced these convergence trades are a structural phenomenon, particularly in Italy and Spain," said Mr Stephen Hannah, chief economist at IBJ in London.

"Convergence is like a runaway train. For the moment, there is nothing to stop it," added Mr Julian Jessop, chief European economist at Nikko.

More generally, high levels of capital outflows from Japan are underpinning both the European and US markets. Figures yesterday showed that Japanese investors purchased a net Y1,200bn of overseas bonds in August, the highest monthly total this year. Although between 60 and 80 per cent of this is directed into US bonds, European markets have also benefited.

■ Positive early developments in Scandinavia set the tone for the high yielders. News of a reduction in the Swedish National Debt Office's borrowing requirements from SKr40bn –SKr50bn to SKr20bn –SKr30bn boosted Swedish bonds across the curve. The yield on the nine-year benchmark due 2005 fell by 18 basis points, while the yield spread over 10-year German paper dropped the same amount to 106 points.

Finnish bonds were buoyed by a *10 basis point* cut in the repo rate to 3 per cent. The yield on the benchmark nine-year bond fell by 4 basis points, with the spread over 10-year bunds down 2 basis points to 51 points.

Bullish sentiment spilled over into Spain and Italy. In Spain, bond prices rose despite a 4 per cent increase in industrial output in July. Spanish yields declined across the board, with the 10-year spread over Germany dropping from 172 to 158 basis points.

On Liffe, the 10-year Italian BTP contract closed more than a third of a point higher, while the 10-year yield spread over Germany fell a further 6 basis points to 227 points.

■ The French 10-year futures contract gained more *than a third of a percentage* point, and the German yield spread over France widened to 6 basis points, compared with 2 points on Tuesday.

Mr David Brown, chief European economist at Bear Stearns, said his initial target of minus 10 basis points "looks set to be taken out, and given that most international portfolios are thought to be significantly underweight French government bonds, a move to our six-month target of minus 25 basis points could well unfold sooner than expected".

■ Despite the absence of economic news, Germany again advanced, partially as a result of continuing rumours of a repo rate cut. However, activity in the cash market was thin and trading mainly futures-led. On Liffe the 10-year *December futures* contract gained 0.08 to settle at 99.68.

■ Minutes from the latest meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the *governor of the Bank of England*, were seen as positive for the gilts market.

Mr Simon Briscoe, chief UK economist at Nikko, said the minutes "will have a favourable impact at the margin". They also contain a long list of possible weaknesses in the economy, he explained. On Liffe the December long gilt rose to a high of 111$\frac{11}{32}$, before settling at 111$\frac{3}{32}$.

■ US Treasury prices were stronger in midday trading in New York, but off their highs for the session as traders awaited data on September wholesale prices and retail sales due on Friday.

The benchmark 30-year Treasury climbed as much as half a point before giving up most of its gains by mid-morning.

Some traders attributed the decline to a rumour that *Russian President* Boris Yeltsin was dead, but a Russian official in Washington said there was no basis for the rumour.

By midday, the long bond was just $\frac{1}{16}$ ahead at 99$\frac{15}{32}$ to yield 6.796 per cent, while the two-year *note* was up $\frac{1}{32}$ at 100$\frac{5}{32}$, yielding 5.897 per cent. The December 30-year bond future was $\frac{1}{16}$ higher at 111$\frac{5}{32}$.

Mr Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York, said profit-taking rather than the Yeltsin rumour probably sparked the market's decline. He noted that the December 30-year *future began to fall* from its session high of 111¾ well before the Yeltsin speculation hit the market.

He attributed the early gains to Europeans shifting assets into Treasuries as their markets soared. "We had some of our clients switching out of European markets into Treasuries because their own markets had become very overvalued," he said.

Traders expect the market to remain stuck in a narrow range until investors get a better sense of the strength of the economy from Friday's figures on producer prices and retail sales.

Pakistan facility may be increased

By Peter Montagnon, Asia Editor

Pakistan's latest borrowing, a $100m oil import facility led by ANZ Investment Bank, has been oversubscribed and may be increased, in spite of the *country's dwindling* reserves and differences with the International Monetary Fund over budget policy.

ANZ said the credit, which carries an interest margin of one percentage point over money market rates and participation fees of up to 22.5 basis points, had attracted 17 subscribers.

Syndication has coincided with a row over budget policy with the IMF, which was only partially resolved at a meeting last week between Ms Benazir Bhutto, prime minister, and Mr Stanley Fisher, IMF deputy managing director.

Ms Bhutto said an understanding had been reached on the broad outlines of a new budget, but this fell short of a full accord that would allow Pakistan to resume drawings on its $600m IMF loan. With reserves now below $1bn, that has raised concern about Pakistan's ability to meet debt repayments.

However, evidence that it can continue to borrow in the market may allay some of this concern. Pakistan has traditionally relied on short-term borrowings, which carry lower margins than longer-term credits, and has managed to refinance them even with reserves far lower than now.

But short-term borrowings have created a heavy repayment schedule. Altogether, $700m falls due in the second half of this year.

Petronas in euromarket debut

INTERNATIONAL BONDS

By Richard Lapper and Conner Middelmann

Eurobond issuance proceeded at a frantic pace yesterday, with borrowers taking advantage of the strong underlying tone in government bond markets.

Two oil companies from the emerging markets provided one of the day's highlights, with Petronas, the state-owned Malaysian company, making its euromarket debut with a $1.5bn three-tranche offer and Petrobras, the state-owned Brazilian company, raising $375m in a two-tranche deal.

The Petronas offer, led jointly by CS First Boston and Salomon Brothers and to be priced today, follows *issues in the Yankee market* in 1993 and 1995. Syndicate managers said the issue was heavily oversubscribed.

Demand for the $300m 30-year tranche came mainly from US investors, although it is hoped that between 10 and 15 per cent will be placed with European funds. The tranche is set to be priced today at around 85 basis points over the Treasury bond. The 10-year paper was heavily favoured by European investors, who are also expected to buy 55 to 60 per cent of the five-year tranche. The company ended its roadshow yesterday.

Chase Manhattan, lead manager for Petrobras, said the 10-year tranche – increased from an initial $125m to $250m – was the first Brazilian issue of this maturity in recent times.

The 10-year paper was priced to yield 350 basis points over Treasuries, but *narrowed to 344 points when* the bonds were freed to trade. The smaller five-year tranche also met a favourable response, with the launch spread of 250 basis points contracting to 240 points over Treasuries.

The recent flurry of 30-year zero-coupon bonds continued with a DKr4bn offering for Deutsche Finance, a DM500m increase of Deutsche's recent DM1bn offering, and a DM1bn issue of bonds for the European Investment Bank.

These deals have come in response to retail investor enthusiasm for paper offering a leveraged return on falling interest rates ahead of European monetary union.

Since they are sold at a deep discount, they require only a small cash outlay, and their strong gearing means that even a small rise in price represents a large *gain in percentage terms*.

The Danish krone deal was targeted initially at investors in the Benelux region, but also attracted interest from Italian and London-based buyers, according to lead manager Deutsche Morgan Grenfell.

The EIB's offering found particular favour with Italian retail investors, for whom bonds issued by the EIB and the World Bank are exempt from inheritance tax, lead manager CSFB Effectenbank said.

Elsewhere, GECC became the first corporate borrower to issue bonds denominated in Slovak koruna, with a Kčs2bn issue of one-year bonds – the largest issue in that currency to date. The bonds were placed with retail investors in Germany and Switzerland as well as institutions, lead Merrill Lynch said.

● Moody's has assigned a *sovereign ceiling of Ba2 for* ratings on long-term foreign-currency bonds of issuers domiciled in Egypt.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
CERT 1996-1(a)	3.058bn	-	-	-	-	-	Goldman Sachs/Nomura
Petronas	600	(b)#	(b)R	Oct 2001	0.375R	(b1)(6⅝%-01)	CSFB/Salomon Brothers
Petronas	600	(b)#	(b)R	Oct 2006	0.45R	(b2)(6½%-06)	CSFB/Salomon Brothers
Petronas	300	(b,s)#	(b)R	Oct 2026	0.875R	+85(6¾%Feb26)	CSFB/Salomon Brothers
Petrobras	125	8.75#	99.88R	Oct 2001	0.50R	+250(6⅝%-01)	Chase Manhattan Intl
Petrobras	250	10.00#	99.78R	Oct 2006	0.75R	+350(6½%-06)	Chase Manhattan Intl
LB Rheinland-Pfalz(l)	200	6.25	99.674R	Nov 2000	0.225R	+10(i)	ABN Amro/Bear Stearns
Companhia Hering(c)	100	12.00#	99.818R	Oct 2004	1.25R	+550(6%-99)	Deutsche Morgan Grenfell
Great Eastern Shipping Co‡	50	(d)	99.85R	Oct 2003	0.625R	-	ANZ Banking Group
■ D-MARKS							
European Investment Bank	1bn	zero	13.73R	Nov 2006	0.30R	+7(6¼%-24)	CSFB-Effectenbank
Deutsche Finance(Neths)(e)	500	zero	13.50	Oct 2026	0.60	-	Deutsche Morgan Grenfell
UBS Finance	150	2.50	90.25R	Oct 2001	0.25R	+10(O.119)	UBS Germany
■ STERLING							
Rolling Stock Finance(f)	545	-	-	-	-	-	UBS
■ FRENCH FRANCS							
European Inv'ment Bank(g)	1bn	6.125	102.998R	Oct 2004	0.30R	+1(6¾%-04)	CDC
■ PESETAS							
Kingdom of Sweden	10bn	7.35	100.99	Nov 2006	1.875	-	BCH/HSBC Markets
European Inv'ment Bank(h)	8.7bn	zero	100.00	Mar 2000	0.10	-	BSN
■ DANISH KRONER							
Deutsche Finance (Neths)	4bn	zero	10.55R	Nov 2026	0.10R	-	Deutsche Morgan Grenfell
Eurofima(l)	400	(j)	101.71	Dec 2003	1.75	-	Generale Bank
■ SWEDISH KRONOR							
Swedish Export Credit	500	6.50	101.885	Dec 2001	1.875	-	Svenska Handelsbanken
■ SLOVAK KORUNA							
GECC	2bn	11.625	100.00R	Oct 1997	0.50R	-	Merrill Lynch International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Capita Equipment Receivables Trust. Originated and serviced by AT&T Capital Corp. Five tranches. b) Priced today over Treasuries: (b1) 38-40bp and (b2) 57-59bp. c) Callable and puttable on 18/10/99 at par & 98¼% and on 16/10/01 at par and 98¾%. d) 6-mth Libor +135bp. e) DM1bn launched Tuesday was increased to DM1.5bn. f) Securitisation of lease rentals due to Porterbrook. g) Fungible with FFr5bn. Plus 20 days accrued. h) Pta38.4bn launched 16/9/96 was increased to Pta43.5bn representing six deals of Pta7.25bn. Redemption linked to Ibex-35 index. i) Over interpolated yield. j) 5% to 29/12/99, then 7⅜%. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	93.9360	+0.070	7.62	7.67	8.15
Austria		6.250	05/06	101.6100	+0.040	5.92	5.98	6.38
Belgium		7.000	05/06	106.6800	+0.320	6.06	6.15	6.63
Canada *		7.000	12/06	101.6000	+0.160	6.78	7.00	7.44
Denmark		8.000	03/06	108.5000	+0.300	6.74	6.84	7.35
France	BTAN	5.500	10/01	102.6927	+0.220	4.89	5.11	5.60
	OAT	6.500	10/06	104.4000	+0.410	5.91	6.05	6.44
Germany Bund		6.250	04/06	101.9500	+0.150	5.97	6.02	6.40
Ireland		8.000	08/06	108.3000	+0.480	6.81	6.85	7.64
Italy		9.500	02/06	108.8800	+0.580	8.12†	8.18	9.37
Japan	No 140	6.600	06/01	121.8239	+0.190	1.61	1.78	1.82
	No 182	3.000	09/05	101.8888	+0.040	2.74	2.83	2.95
Netherlands		8.500	06/06	118.6400	+0.120	5.90	5.91	6.33
Portugal		9.500	02/06	113.3500	+0.800	7.46	7.68	8.63
Spain		8.800	04/06	108.0200	+0.870	7.57	7.76	8.86
Sweden		6.000	02/05	93.5010	+1.050	7.05	7.21	8.09
UK Gilts		8.000	12/00	104-25	+6/32	6.66	6.79	7.05
		7.500	12/06	100-30	+8/32	7.36	7.47	7.81
		9.000	10/08	111-25	+12/32	7.50	7.61	8.02
US Treasury *		7.000	07/06	103-11	-1/32	6.49	6.58	6.93
		6.750	08/26	99-17	-	6.79	6.85	7.11
ECU (French Govt)		7.000	04/06	104.9800	+0.140	6.28	6.35	6.82

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.88
Prime rate	8¼	Two month	-	Three year	6.04
Broker loan rate	7	Three month	5.11	Five year	6.26
Fed.funds	5⅞	Six month	5.29	10-year	6.50
Fed.funds at intervention	-	One year	5.49	30-year	6.77

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	126.10	126.54	+0.40	126.80	126.10	224,281	199,741
Mar	126.14	126.58	+0.44	126.78	126.14	2,116	33,152
Jun	125.06	125.50	+0.44	125.06	125.06	2	3,844

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
122	-	4.55	-	-	0.03	0.24
123	3.55	-	-	0.01	0.07	0.36
124	2.57	2.66	3.10	0.02	0.13	-
125	1.62	1.82	-	0.07	0.28	0.79
126	0.81	1.12	1.73	0.26	0.55	-

Est. vol. total, Calls 62,674 Puts 51,099. Previous day's open int., Calls 155,660 Puts 157,612.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.50	99.68	+0.08	99.94	99.48	214537	253488
Mar	98.55	98.70	+0.09	98.94	98.55	1120	8219

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9950	0.48	0.79	0.53	0.85	0.30	0.61	1.33	1.65
10000	0.23	0.53	0.37	0.67	0.55	0.85	1.67	1.97
10050	0.10	0.34	0.25	0.51	0.92	1.16	2.05	2.31

Est. vol. total, Calls 31710 Puts 27275. Previous day's open int., Calls 202760 Puts 188517

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	123.45	123.65	+0.37	124.37	123.41	80592	82363
Mar	123.20	122.90	+0.38	123.20	122.90	550	1142

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
12350	1.49	1.95	1.34	2.55
12400	1.21	1.74	1.56	2.84
12450	0.97	1.53	1.82	3.13

Est. vol. total, Calls 22620 Puts 8385. Previous day's open int., Calls 143891 Puts 136573

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	107.80	107.75	+0.65	108.95	107.80	122,798	72,018

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-23	111-03	+0-11	111-17	110-21	117854	166310
Mar	110-09	110-07	+0-09	110-15	110-07	1274	1156

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
111	0-42	1-06	0-63	1-30	0-36	1-00	1-49	2-16
112	0-16	0-42	0-40	1-04	1-10	1-36	2-26	2-54
113	0-05	0-23	0-24	0-48	1-63	2-17	3-10	3-34

Est. vol. total, Calls 4066 Puts 4980. Previous day's open int., Calls 37373 Puts 26746

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.24	94.36	+0.04	94.74	94.24	1,817	6,821
Mar	-	93.44	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	111-02	111-13	+0-10	111-13	110-29	245,361	377,158
Mar	110-18	110-30	+0-10	110-30	110-15	1,615	23,664
Jun	110-14	110-14	+0-09	110-14	110-14	353	4,750

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	123.27	-	-	123.61	123.27	3758	n/a
Mar	122.49	-	-	122.53	122.47	220	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Oct 9	Day's change %	Tue Oct 8	Accrued interest	xd adj. ytd		Low coupon yield Oct 9	Oct 8	Yr. ago	Medium coupon yield Oct 9	Oct 8	Yr. ago	High coupon yield Oct 9	Oct 8	Yr. ago
1 Up to 5 years (22)	122.24	0.10	122.13	2.22	7.89	5 yrs	6.78	6.83	7.70	6.84	6.89	7.70	6.92	6.95	7.80
2 5-15 years (19)	151.99	0.30	151.85	2.93	8.27	15 yrs	7.63	7.68	8.29	7.64	7.68	8.32	7.67	7.73	8.41
3 Over 15 years (8)	168.39	0.38	167.75	2.96	9.83	20 yrs	7.76	7.81	8.33	7.73	7.77	8.37	7.77	7.82	8.44
4 Irredeemables (6)	194.71	0.71	193.34	3.79	8.83	Irred.†	7.82	7.88	8.44						
5 All stocks (55)	145.68	0.25	145.46	2.71	8.49										

Index-linked							Inflation 5% Oct 9	Oct 8	Yr. ago	Inflation 10% Oct 9	Oct 8	Yr. ago
6 Up to 5 years (2)	203.00	0.07	202.87	1.01	4.43	Up to 5 yrs	2.71	2.72	3.33	2.08	2.09	2.28
7 Over 5 years (10)	195.06	0.19	194.68	1.23	4.03	Over 5 yrs	3.40	3.41	3.76	3.21	3.22	3.57
8 All stocks (12)	194.84	0.18	194.49	1.20	4.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date. Due to a pricing error for Treas. 6¼% 2010 amendments have been made to the 5-15 Yrs and the All Stocks indices for the period between 25-Sep-96 to 2-Oct-96. For details please fax FTSE International on 0171 448 1834. The restated figures for 30-Sep-96 are as follows: 5-15yrs 149.75 and the All stocks 143.55

FT Fixed Interest Indices

	Oct 9	Oct 8	Oct 7	Oct 4	Oct 3	Yr ago	High*	Low*
Govt. Secs. (UK)	95.10	94.90	94.98	94.92	94.87	92.63	96.34	91.59
Fixed Interest	116.45	116.27	114.91	114.81	114.51	110.92	116.45	110.74

Gilt Edged Activity Indices

	Oct 8	Oct 7	Oct 4	Oct 3	Oct 2
Gilt Edged bargains	114.9	87.9	98.3	138.1	105.3
5-day average	108.9	102.8	105.1	107.0	101.0

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Conversion 10pc 1996		9.96	5.84	100⅜	—	103$\frac{13}{32}$	100⅜
Treas 13¼pc 1997‡‡		12.99	5.76	102$\frac{1}{32}$	-$\frac{1}{32}$	107[illegible]	100½
Exch 10½pc 1997		10.33	5.70	101⅝	—	107[illegible]	101⅝
Treas Cnv 7pc 1997‡‡		6.94	5.84	100[illegible]	—	101[illegible]	100[illegible]
Treas 8¾pc 1997‡‡		8.54	5.86	102½	—	107[illegible]	102[illegible]
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Treas 8½pc 2005‡‡		7.89	7.30	107¾	+$\frac{3}{32}$	108[illegible]	101[illegible]
Treas 7½pc 2006‡‡		-	7.38	100[illegible]	+[illegible]	101[illegible]	94[illegible]
Treas 7¾pc 2006‡‡		7.57	7.31	102[illegible]	+[illegible]	103¼	96[illegible]
Treas 8pc 2002-6‡‡		7.71	7.39	103¾	+⅛	104[illegible]	97[illegible]
Treas 11¾pc 2003-7		9.58	7.18	122[illegible]	+[illegible]	125[illegible]	118[illegible]
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	0.35	2.03	114¼	+$\frac{1}{32}$	114¼	111[illegible]
2½pc '01	(78.3)	2.61	3.15	184[illegible]	+⅛	184[illegible]	175¼
2½pc '03	(78.8)	2.87	3.28	180¾	+¼	180¾	171[illegible]
4⅜pc '04‡‡	(135.6)	2.94	3.31	118[illegible]	+[illegible]	118[illegible]	112[illegible]
2pc '06	(69.5)	3.09	3.36	190¾	+[illegible]	190¾	179[illegible]
[illegible]							

Other Fixed Interest: [illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 9

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99⅛	99½		6.66
ABN Amro Bank 7¼ 05	1000	101¼	101⅝		7.18
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Sweden 8 97	2500	104⅞	104⅞		3.29
United Kingdom 7⅛ 97	5500	103⅞	104		3.31
Volkswagen Intl Fin 7 03	1000	106⅛	106⅛	-⅛	5.85
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 8 03 £	1000	102⅞	103⅛	+¼	7.41
British Land 8⅞ 23 £	150	95⅝	95⅞	+⅛	9.54
[illegible]					

FLOATING RATE NOTES: [illegible]

CONVERTIBLE BONDS: [illegible]

هكذا من الأصل

invented
telephone.

(ALSO transistor, laser, Telstar satellite, fiber-optic cable, cellular, voice mail)

Have won awards. (Nobel etc.)

Specialize in making things that make communications work.

Will do same for you.

The former systems and technology divisions of AT&T, plus Bell Labs, now Lucent Technologies.

هكذا من الأصل

CURRENCIES AND MONEY

Dollar becomes becalmed after yen rumours

MARKETS REPORT

By Richard Adams

The dollar strengthened against the yen in overnight trading yesterday after rumours that the Japanese and US governments were happy to see the dollar appreciate against the yen.

But the excitement this caused soon disappeared later in the session, leaving the dollar only slightly higher in quiet trading.

The rumours, sourced to the White House and the Japanese ministry of finance, suggested that a dollar-yen rate of Y120 was acceptable to both governments. However, the rumours were later denied.

The dollar climbed to Y111.70 but by close of trading in London it had fallen back to Y111.485. That was only marginally stronger than the rate of Y111.275 at which it closed on Tuesday.

Against the D-Mark, the dollar closed at DM1.5285 from DM1.5272.

It rose a quarter of a centime against the Swiss franc, in spite of rumours – also denied – that Mr Boris Yeltsin, the Russian president, had died. It closed up at SFr1.2525, from SFr1.2500.

The dollar may see more action tomorrow, when US retail sales and producer price numbers for September will give an indication of the strength of economic activity and of inflationary pressures.

According to one poll, analysts expect on average a rise of 0.3 per cent in producer prices last month compared with August and a 0.2 per cent rise in retail sales.

The D-Mark fell against the higher-yielding European currencies, which enjoyed another day of rising government bond prices.

The German currency was also the subject of market gossip after suggestions that the Bundesbank might cut its repo rate at its council meeting today. Analysts generally dismissed the possibility of a rate cut as unlikely.

The French franc gained a centime against the D-Mark, rising from FFr3.393 on Tuesday to FFr3.381 at yesterday's close.

The lira regained some ground it had lost the day before against the German currency, ending at L997.1 from L998.3. The Spanish peseta also rose, on the back of its bond market, to Pta84.15 from Pta84.48.

Sterling rose two-fifths of a pfennig against the D-Mark, to DM2.3913 from DM2.3872.

■ The dollar's relative lack of movement, in spite of a thriving Wall Street equity and government bond market, remains a puzzle. Mr Kit Juckes, currency strategist at NatWest Markets in London, described the dollar's progress as a "slow upward crawl."

Mr Robin Aspinall, chief economist at the National Australia Bank in London, noted the dollar was being supported by Japanese buying of US Treasuries, which in turn has helped the equities market.

"Don't think about what might happen when they stop," Mr Aspinall said.

■ Sterling's gains against the D-Mark came in the wake of the publication of the minutes of the September 4 meeting bewteen Mr Kenneth Clarke, the UK chancellor, and Mr Eddie George, governor of the Bank of England.

The minutes showed a slight hardening of the bank's stance towards increasing interest rates, according to Mr Keith Davies, UK economist at 4Cast, the London-based independent market analysts.

"The minutes show the chancellor continuing to turn a deaf ear to the governor's increasing calls for monetary tightening," Mr Davies said.

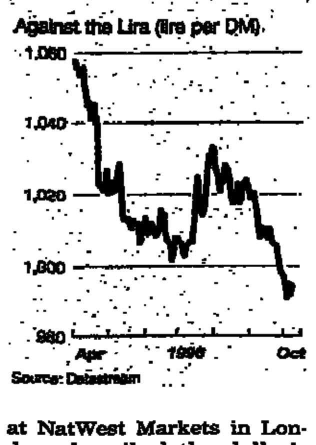
"As a result the minutes only reinforce the view that Clarke is extremely unlikely to even consider raising rates ahead of the election."

■ The Bank of Finland said in a statement that a brighter inflation outlook, tighter spreads between Finnish and foreign interest rates and confidence in the markka were behind its decision yesterday to cut 10 basis points off its key tender rate, to 3 per cent.

"Factors underlying the cut are the continuing subdued outlook for inflation, a narrowing of the differential between domestic and foreign market interest rates and the markets' expression of confidence in the markka," the central bank said.

D-Mark

Against the Lira (lire per DM)



Source: Datastream

■ Pound in New York

Oct 9	Latest	Prev. close
£ spot	1.5645	1.5625
1 mth	1.5637	1.5618
3 mth	1.5631	1.5611
1 yr	1.5597	1.5575

■ OTHER CURRENCIES

Oct 9	£	$
Czech Rp	42.4704 - 42.5445	27.1550 - 27.1850
Hungary	242.702 - 242.935	155.180 - 155.230
Iran	4695.00 - 4692.00	3000.00 - 3000.00
Kuwait	0.4680 - 0.4695	0.2998 - 0.3000
Poland	4.3392 - 4.3951	2.8064 - 2.8084
Russia	8483.14 - 8483.26	5424.00 - 5427.00
UAE	5.7438 - 5.7482	3.6725 - 3.6730

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POUND SPOT FORWARD AGAINST THE POUND

Oct 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8225	+0.028	150 - 300	16.8602	16.7754	16.779	3.1	16.7225	2.4	-	-	104.6
Belgium	(BFr)	49.2959	+0.1332	613 - 304	49.3305	49.1450	49.1759	2.9	48.9509	2.8	47.9309	2.8	106.1
Denmark	(DKr)	9.1616	+0.0158	571 - 660	9.1773	9.1435	9.1443	2.3	9.1127	2.1	8.9744	2.0	107.5
Finland	(FM)	7.1425	+0.0097	362 - 488	7.1540	7.1230	-	-	-	-	-	-	85.1
France	(FFr)	8.0854	+0.015	788 - 879	8.1085	8.0641	8.0667	2.5	8.036	2.3	7.8983	2.3	108.8
Germany	(DM)	2.3913	+0.0041	903 - 923	2.3963	2.3864	2.3858	2.8	2.3746	2.8	2.3247	2.8	107.8
Greece	(Dr)	375.277	+0.062	079 - 475	378.182	374.381	-	-	-	-	-	-	67.7
Ireland	(I£)	0.9763	+0.0024	754 - 771	0.9773	0.9742	0.9761	0.2	0.9758	0.2	0.973	0.3	100.0
Italy	(L)	2383.83	+9.74	213 - 553	2385.50	2369.48	2386.88	-2.5	2397.43	-2.3	2418.83	-1.5	77.5
Luxembourg	(LFr)	49.2959	+0.1332	613 - 304	49.3305	49.1450	49.1759	2.9	48.9509	2.8	47.9309	2.8	106.1
Netherlands	(Fl)	2.6848	+0.0043	835 - 860	2.6880	2.6786	2.6776	3.1	2.6645	3.0	2.6059	2.9	105.2
Norway	(NKr)	10.1736	+0.0153	688 - 784	10.2445	10.1227	10.1698	1.2	10.1621	0.8	10.1001	0.7	96.5
Portugal	(Es)	241.997	+0.359	841 - 153	242.181	241.561	242.342	-1.2	242.622	-1.0	-	-	95.9
Spain	(Pta)	201.210	+0.347	088 - 333	201.466	200.811	201.41	-1.2	201.745	-1.1	202.46	-0.6	80.2
Sweden	(SKr)	10.3023	-0.0052	919 - 126	10.3130	10.2619	10.3015	0.1	10.2996	0.1	10.2911	0.1	90.9
Switzerland	(SFr)	1.9595	+0.0045	581 - 609	1.9671	1.9552	1.952	4.6	1.9382	4.3	1.8771	4.2	110.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	87.1
Ecu	-	1.2497	+0.0017	488 - 506	1.2512	1.2474	1.2479	1.8	1.2444	1.7	1.2267	1.8	-
SDR†	-	1.083990	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5643	+0.0013	637 - 648	1.5663	1.5619	-	-	-	-	-	-	-
Brazil	(R$)	1.6015	+0.0038	006 - 022	1.6022	1.5970	-	-	-	-	-	-	-
Canada	(C$)	2.1186	+0.0008	175 - 198	2.1210	2.1148	2.1149	2.1	2.1078	2.0	2.0816	1.7	85.2
Mexico	(New Peso)	11.8550	+0.0786	473 - 627	11.8630	11.7781	-	-	-	-	-	-	-
USA	($)	1.5645	+0.0013	640 - 650	1.5665	1.5620	1.5636	0.5	1.5631	0.4	1.5592	0.3	97.4
Pacific/Middle East/Africa													
Australia	(A$)	1.9820	+0.0014	807 - 833	1.9847	1.9726	1.9836	-1.0	1.986	-0.8	1.9919	-0.5	93.8
Hong Kong	(HK$)	12.0968	+0.01	961 - 014	12.1116	12.0785	12.0927	0.4	12.0898	0.2	12.1008	0.0	-
India	(Rs)	55.7746	+0.0621	438 - 053	56.1055	55.4420	-	-	-	-	-	-	-
Israel	(Shk)	4.9919	+0.0088	883 - 974	5.0601	4.9860	-	-	-	-	-	-	-
Japan	(Y)	174.418	+0.473	308 - 527	174.660	173.840	173.565	5.8	171.958	5.6	165.173	5.2	130.9
Malaysia	(M$)	3.9180	+0.0063	174 - 206	3.9228	3.9097	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2689	+0.0088	673 - 704	2.2705	2.2565	2.2767	-4.1	2.2906	-3.8	2.3291	-2.7	109.1
Philippines	(Peso)	41.0916	+0.0419	237 - 595	41.1606	41.0193	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8677	+0.005	656 - 697	5.8748	5.8584	-	-	-	-	-	-	-
Singapore	(S$)	2.2058	+0.0005	043 - 073	2.2080	2.2022	-	-	-	-	-	-	-
South Africa	(R)	7.1029	+0.013	967 - 090	7.1091	7.0617	-	-	-	-	-	-	-
South Korea	(Won)	1297.67	+1.78	718 - 817	1299.28	1295.26	-	-	-	-	-	-	-
Taiwan	(T$)	43.0238	+0.0358	944 - 532	43.0646	42.9441	-	-	-	-	-	-	-
Thailand	(Bt)	39.8033	+0.0355	866 - 199	39.8440	39.7340	-	-	-	-	-	-	-

† Rates for Oct 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.7527	+0.009	513 - 540	10.7750	10.7284	10.733	2.2	10.6927	2.2	10.4977	2.4	104.5
Belgium	(BFr)	31.5090	+0.059	970 - 210	31.5340	31.4330	31.444	2.5	31.3115	2.5	30.6915	2.6	105.8
Denmark	(DKr)	5.8559	+0.0052	549 - 569	5.8650	5.8475	5.847	1.8	5.8286	1.9	5.7469	1.9	106.8
Finland	(FM)	4.5654	+0.0024	628 - 679	4.5785	4.5593	4.5566	2.3	4.5379	2.4	4.4554	2.4	84.5
France	(FFr)	5.1688	+0.0053	655 - 680	5.1795	5.1600	5.1581	2.0	5.14	2.1	5.0578	2.1	108.2
Germany	(DM)	1.5285	+0.0013	283 - 286	1.5315	1.5269	1.5255	2.4	1.5189	2.5	1.4887	2.6	107.2
Greece	(Dr)	239.870	-0.16	820 - 920	241.590	239.450	241.425	-7.8	243.995	-6.9	255.02	-6.3	67.1
Ireland	(I£)	1.6026	-0.0025	017 - 035	1.6056	1.6005	1.6023	0.2	1.602	0.1	1.5988	0.2	-
Italy	(L)	1523.70	+4.96	310 - 430	1524.50	1515.25	1527.5	-3.0	1533.45	-2.6	1548.95	-1.7	77.3
Luxembourg	(LFr)	31.5090	+0.059	970 - 210	31.5340	31.4330	31.444	2.5	31.3115	2.5	30.6915	2.6	105.8
Netherlands	(Fl)	1.7161	+0.0013	158 - 163	1.7182	1.7127	1.7123	2.7	1.7043	2.8	1.6687	2.8	105.7
Norway	(NKr)	6.5026	+0.0044	018 - 033	6.5485	6.4865	6.499	0.7	6.4934	0.6	6.4678	0.5	97.8
Portugal	(Es)	154.680	+0.12	630 - 730	154.800	154.530	154.895	-1.6	155.18	-1.3	155.955	-0.8	95.9
Spain	(Pta)	128.610	+0.115	560 - 660	128.740	128.460	128.79	-1.7	129.05	-1.4	129.715	-0.9	79.9
Sweden	(SKr)	6.5850	-0.0089	805 - 895	6.5873	6.5634	6.5822	0.5	6.5724	0.6	6.525	0.9	90.4
Switzerland	(SFr)	1.2525	+0.0025	520 - 530	1.2580	1.2505	1.2481	4.2	1.2392	4.1	1.202	4.0	110.5
UK	(£)	1.5645	+0.0013	640 - 650	1.5665	1.5620	1.5638	0.5	1.5631	0.4	1.5592	0.3	86.6
Ecu	-	1.2519	-0.0007	514 - 524	1.2533	1.2503	1.2532	-1.3	1.2564	-1.4	1.273	-1.7	-
SDR†	-	0.694020	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0237	+0.0015	235 - 238	1.0238	1.0223	-	-	-	-	-	-	-
Canada	(C$)	1.3542	-0.0009	539 - 544	1.3550	1.3525	1.3524	1.6	1.3483	1.7	1.3337	1.5	84.5
Mexico	(New Peso)	7.5775	+0.044	750 - 800	7.5810	7.5700	7.8955	-18.7	7.962	-20.3	8.8225	-16.4	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2669	-0.0001	665 - 673	1.2674	1.2660	1.2684	-1.4	1.2703	-1.1	1.2759	-0.7	95.1
Hong Kong	(HK$)	7.7320	-0.0001	315 - 325	7.7325	7.7312	7.7319	0.0	7.7325	0.0	7.7435	-0.1	-
India	(Rs)	35.6500	+0.01	500 - 500	35.8600	35.4470	35.865	-7.2	36.325	-7.6	-	-	-
Israel	(Shk)	3.1907	+0.0028	882 - 932	3.2333	3.1875	-	-	-	-	-	-	-
Japan	(Y)	111.485	+0.21	450 - 520	111.700	111.270	110.96	5.4	109.985	5.4	105.77	5.1	131.7
Malaysia	(M$)	2.5050	+0.002	047 - 052	2.5055	2.5025	2.5078	-1.4	2.5132	-1.3	2.5345	-1.2	-
New Zealand	(NZ$)	1.4502	+0.0044	497 - 507	1.4509	1.4491	1.4557	-4.6	1.46	-2.7	1.4815	-2.8	-
Philippines	(Peso)	26.2650	+0.005	300 - 000	26.3000	26.2900	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7507	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4099	-0.0008	094 - 104	1.4111	1.4094	1.4077	1.8	1.4031	1.9	1.3819	2.0	-
South Africa	(R)	4.5400	+0.0045	375 - 425	4.5430	4.5300	4.5807	-10.8	4.6557	-10.2	4.9705	-9.5	-
South Korea	(Won)	829.450	+0.45	400 - 500	830.000	828.400	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-	900 - 100	27.5200	27.4870	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.4415	+0.0015	390 - 440	25.4450	25.4310	25.5315	-4.2	25.699	-4.0	26.3365	-3.5	-

† SDR rate per $ for Oct 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 8: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

October 9	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3	3	3 1/16	3 1/8	3 3/16	6.00	2.50	-
week ago	3 1/16	3	3 1/16	3⅛	3 3/16	6.00	2.50	-
France	3 13/32	3 13/32	3 7/16	3 15/32	3 11/16	3.35	-	4.75
week ago	3⅝	3 19/32	3½	3⅝	3 29/32	3.35	-	4.75
Germany	3 1/16	3 1/16	3⅛	3 1/16	3 5/16	4.50	2.50	3.00
week ago	3 1/32	3 1/16	3 3/32	3 3/16	3 5/16	4.50	2.50	3.00
Ireland	5⅜	5⅜	5⅝	5¾	5⅞	-	-	6.25
week ago	5 7/16	5½	5⅝	5 13/16	5 15/16	-	-	6.25
Italy	8⅜	8 5/16	8	7¾	7⅝	-	8.25	8.38
week ago	8½	8 5/16	8	7 23/32	7 21/32	-	8.25	8.38
Netherlands	2¾	2 23/32	2 25/32	2¾	3⅛	-	3.00	3.30
week ago	2 25/32	2 23/32	2 23/32	2 27/32	3 1/16	-	3.00	3.30
Switzerland	1 13/16	1⅞	1½	1½	1⅝	-	1.00	-
week ago	1 7/16	1 7/16	1 17/32	1 9/16	1 11/16	-	1.00	-
US	5⅜	5 5/16	5 19/32	5 11/16	5¾	-	5.00	-
week ago	5 5/16	5 5/16	5½	5 19/32	5 13/16	-	5.00	-
Japan	¼	½	9/16	¾	⅝	-	0.50	-
week ago	7/16	½	17/32	¾	11/16	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5 17/32	5⅝	5 29/32	-	-	-
week ago	-	5⅜	5⅝	5 23/32	5 31/32	-	-	-
US Dollar CDs	-	5.10	5.14	5.22	5.42	-	-	-
week ago	-	5.10	5.22	5.35	5.62	-	-	-
ECU Linked Ds	-	4⅜	4⅜	4⅜	4⅜	-	-	-
week ago	-	4⅜	4⅜	4⅜	4⅜	-	-	-
SDR Linked Ds	-	3⅛	3⅛	3⅛	3 5/16	-	-	-
week ago	-	3⅛	3⅛	3¼	3 9/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 - 2 31/32	3⅛ - 2 31/32	3 3/32 - 2 31/32	3⅛ - 3	3⅛ - 3 1/32	3¼ - 3⅛
Danish Krone	3 13/32 - 3¼	3 13/32 - 3 7/32	3⅝ - 3 7/16	3¾ - 3 9/16	3 27/32 - 3 9/16	3 29/32 - 3 11/16
D-Mark	3 3/16 - 3 1/16	3 3/32 - 3	3 3/32 - 3	3 3/32 - 3	3 3/32 - 3	3¼ - 3⅛
Dutch Guilder	2 13/16 - 2 11/16	2 13/16 - 2 11/16	2 27/32 - 2¾	2⅞ - 2 13/16	2⅞ - 2 13/16	3 1/32 - 2 31/32
French Franc	3 7/16 - 3 5/16	3 7/16 - 3 11/32	3 13/32 - 3 5/16	3 17/32 - 3 13/32	3 9/16 - 3 7/16	3⅝ - 3½
Portuguese Esc.	7 3/32 - 7 1/32	7 3/32 - 7 1/32	7 1/32 - 6 31/32	6 13/16 - 6 27/32	6 27/32 - 6¾	6 13/16 - 6 11/16
Spanish Peseta	6 13/16 - 6 25/32	6 13/16 - 6 25/32	6 29/32 - 6 27/32	6⅞ - 6 25/32	6 11/16 - 6 9/16	6 11/16 - 6 19/32
Sterling	6⅛ - 6	5⅞ - 5¾	5⅞ - 5 13/16	5 29/32 - 5 27/32	5 31/32 - 5 29/32	6 3/16 - 6⅛
Swiss Franc	1⅝ - 1½	1 9/16 - 1 7/16	1½ - 1⅜	1 9/16 - 1 7/16	1 9/16 - 1 7/16	1 11/16 - 1 9/16
Can. Dollar	3 13/16 - 3⅝	3¾ - 3 9/16	3⅝ - 3½	3⅝ - 3½	3 11/16 - 3 9/16	4 - 3⅞
US Dollar	5 3/16 - 4 15/16	5 11/32 - 5 7/32	5⅜ - 5¼	5½ - 5⅜	5¾ - 5⅝	5 25/32 - 5 21/32
Italian Lira	8⅜ - 8¼	8 7/16 - 8 7/16	8 5/16 - 8 3/16	8 1/32 - 7 31/32	7 25/32 - 7 11/16	7 13/16 - 7 11/32
Yen	½ - ⅜	½ - ⅜	17/32 - 13/32	½ - ⅜	15/32 - ⅜	19/32 - 15/32
Asian $Sing	3 5/16 - 3 1/16	3¼ - 3⅛	3¼ - 3⅛	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF)Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.41	96.43	+0.03	96.45	96.40	34,104	74,696
Mar	96.40	96.43	+0.04	96.45	96.40	20,052	38,791
Jun	96.38	96.42	+0.05	96.44	96.38	11,483	28,694

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.86	96.87	+0.01	96.88	96.85	30986	211021
Mar	96.82	96.85	+0.02	96.87	96.82	43527	217041
Jun	96.72	96.76	+0.03	96.77	96.72	35994	163290
Sep	96.57	96.60	+0.02	96.63	96.57	30570	139516

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.37	92.37	-	92.43	92.36	14017	66302
Mar	92.93	92.97	+0.02	93.03	92.92	11942	44093
Jun	93.25	93.30	+0.05	93.35	93.25	3606	31095
Sep	93.37	93.40	+0.06	93.44	93.37	3152	22636

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.39	98.38	-0.02	98.41	98.35	5942	41233
Mar	98.39	98.36	-0.02	98.39	98.34	3778	24227
Jun	98.26	98.25	-0.03	98.28	98.22	2803	11781
Sep	98.03	98.02	-0.02	98.04	98.00	1468	3610

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.42	99.42	+0.01	99.42	99.41	207	n/a
Mar	99.33	99.33	+0.02	99.33	99.33	907	n/a
Jun	99.20	99.19	+0.01	99.20	99.19	250	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.91	95.90	-0.01	95.91	95.89	1007	8719
Mar	95.92	95.91	-0.01	95.93	95.90	919	4190
Jun	95.93	95.91	-0.01	95.93	95.91	253	2536
Sep	95.84	95.86	+0.01	95.87	95.82	299	2156

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 9		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.58	16.40	4.850	1.980	4836	5.446	20.63	490.9	408.1	20.89	3.976	2.028	4.298	3.174	353.8	2.535
Denmark	(DKr)	53.81	10	8.822	2.610	1.065	2602	2.931	11.10	264.1	219.6	11.24	2.139	1.091	2.313	1.708	190.4	1.364
France	(FFr)	60.99	11.33	10	2.958	1.207	2949	3.322	12.58	299.4	248.9	12.74	2.425	1.237	2.622	1.936	215.8	1.546
Germany	(DM)	20.62	3.832	3.381	1	0.408	997.1	1.123	4.253	101.2	84.15	4.308	0.820	0.418	0.886	0.655	72.94	0.523
Ireland	(I£)	50.51	9.387	8.282	2.450	1	2443	2.751	10.42	248.0	206.1	10.55	2.008	1.025	2.171	1.603	178.7	1.281
Italy	(L)	2.068	0.384	0.339	0.100	0.041	100.	0.113	0.427	10.15	8.440	0.432	0.082	0.042	0.089	0.066	7.315	0.052
Netherlands	(Fl)	18.36	3.412	3.010	0.891	0.364	887.9	1	3.788	90.13	74.93	3.836	0.730	0.372	0.789	0.583	64.95	0.466
Norway	(NKr)	48.48	9.009	7.948	2.351	0.960	2344	2.640	10	238.0	197.8	10.13	1.927	0.983	2.084	1.539	171.5	1.229
Portugal	(Es)	20.37	3.786	3.340	0.988	0.403	985.1	1.110	4.202	100.	83.14	4.256	0.810	0.413	0.876	0.647	72.07	0.517
Spain	(Pta)	24.50	4.554	4.017	1.188	0.485	1185	1.334	5.055	120.3	100.	5.119	0.974	0.497	1.053	0.778	86.68	0.621
Sweden	(SKr)	47.86	8.895	7.848	2.321	0.948	2315	2.607	9.874	235.0	195.3	10	1.903	0.971	2.057	1.519	169.3	1.214
Switzerland	(SFr)	25.15	4.674	4.124	1.220	0.498	1216	1.370	5.189	123.5	102.7	5.255	1	0.510	1.081	0.798	88.98	0.638
UK	(£)	49.30	9.162	8.083	2.391	0.976	2384	2.685	10.17	242.0	201.2	10.30	1.960	1	2.119	1.565	174.4	1.250
Canada	(C$)	23.27	4.324	3.815	1.128	0.461	1125	1.267	4.799	114.2	94.95	4.861	0.925	0.472	1	0.739	82.30	0.590
US	($)	31.50	5.854	5.165	1.528	0.624	1523	1.716	6.498	154.6	128.6	6.581	1.252	0.639	1.354	1	111.4	0.799
Japan	(Y)	28.27	5.253	4.635	1.371	0.560	1367	1.540	5.831	138.8	115.4	5.906	1.124	0.573	1.215	0.897	100.	0.717
Ecu		39.44	7.330	6.466	1.913	0.781	1907	2.148	8.136	193.6	161.0	8.240	1.568	0.800	1.695	1.252	139.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6570	0.6565	-0.0007	0.6580	0.6557	13,814	67,967
Mar	0.6600	0.6603	-0.0016	0.6603	0.6600	145	1,683
Jun	-	0.6657	-	-	-	150	2,167

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8050	0.8026	-0.0031	0.8051	0.8012	13,085	45,588
Mar	0.8095	0.8095	-0.0043	0.8103	0.8095	95	1,708
Jun	-	0.8221	-	-	-	11	607

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9041	0.9042	-0.0014	0.9065	0.9038	10,849	74,776
Mar	0.9157	0.9157	-0.0016	0.9157	0.9157	172	1,778
Jun	0.9275	0.9275	-0.0015	0.9275	0.9275	2	200

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5614	1.5630	+0.0012	1.5652	1.5610	2,554	44,474
Mar	-	1.5612	-	1.5640	1.5600	10	93
Jun	-	1.5606	-	1.5640	-	4	2

UK INTEREST RATES

LONDON MONEY RATES

Oct 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 5¾	5 13/16 - 5 11/16	5⅞ - 5¾	5 13/16 - 5 11/16	6 1/16 - 5 15/16	6¼ - 6⅛
Sterling CDs	-	-	5⅞ - 5 13/16	5⅞ - 5 13/16	5 29/32 - 5 27/32	6⅛ - 6 1/16
Treasury Bills	-	-	5 11/16 - 5 9/16	5 11/16 - 5 9/16	-	-
Bank Bills	-	-	5 23/32 - 5 19/32	5 23/32 - 5 19/32	5 13/16 - 5 11/16	-
Local authority deps.	5 13/16 - 5 11/16	5 13/16 - 5 11/16	5 13/16 - 5¾	5⅞ - 5 13/16	6 - 5⅞	6⅛ - 6 1/16
Discount Market deps	6¼ - 5¾	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Oct 4, 5.4919pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 30, 1996. Agreed rate for period Oct 26, 1996 to Nov 25, 1996, Schemes II & III 7.09pc. Reference rate for period Aug 31, 1996 to Sep 30, 1996, Schemes IV & V 5.848pc. Finance House Base Rate 6pc from Oct 1, 1996

THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.06	94.05	-0.01	94.07	94.04	14903	107737
Mar	93.92	93.92	-0.01	93.95	93.91	10427	76295
Jun	93.71	93.73	+0.01	93.76	93.71	6952	74685
Sep	93.48	93.51	+0.02	93.54	93.48	5837	44367
Dec	93.28	93.31	+0.05	93.33	93.27	4984	33531

Also traded on APT. All Open interest figs. are for previous day.

SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9400	0.12	0.14	0.18	0.07	0.22	0.45
9425	0.02	0.06	0.10	0.22	0.38	0.62
9450	0	0.02	0.05	0.45	0.60	0.82

Est. vol. total, Calls 1598 Puts 4543. Previous day's open int., Calls 113012 Puts 124535

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Irish Bank (GB)	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Oct 9	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.783548	-0.000774	-1.09	2.49	7
Portugal	195.792	194.247	+0.069	-0.79	2.17	5
Spain	162.493	161.538	+0.017	-0.59	1.96	4
Netherlands	2.15214	2.15593	+0.00135	0.18	1.19	-1
Belgium	39.3960	39.5714	+0.0342	0.45	0.92	-3
Austria	13.4383	13.5182	+0.0126	0.59	0.77	-4
Germany	1.91007	1.92137	+0.00161	0.59	0.77	-6
Denmark	7.28580	7.36054	+0.00493	1.03	0.34	-7
France	6.40608	6.49352	+0.00183	1.36	0.00	-11
NON ERM MEMBERS						
Greece	292.867	301.428	-0.334	2.92	-1.51	-
Italy	*2106.15*	*1906.98*	*-0.27*	*-9.38*	*11.83*	-
UK	0.786652	0.802221	-0.003442	1.98	-0.60	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.540	2.26	2.37	2.52	-	0.11	0.35
1.550	1.26	1.57	1.85	-	0.32	0.63
1.560	0.38	0.84	1.26	0.07	0.68	1.04
1.570	-	0.48	0.80	0.67	1.24	1.58
1.580	0.05	0.20	0.47	1.61	1.95	2.24

Previous day's vol., Calls 6,009 Puts 4,977. Prev. day's open int., Calls 142,460 Puts 118,439

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.36	94.37	+0.01	94.39	94.34	46,116	489,903
Mar	94.28	94.30	+0.02	94.31	94.26	57,391	373,911
Jun	94.14	94.16	+0.01	94.18	94.13	31,073	271,043

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.92	94.90	-0.02	94.92	94.91	574	4,269
Mar	-	94.80	-	-	94.79	61	1,606
Jun	-	94.68	-	94.67	-	35	882

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9675	0.12	0.14	0.15	0.21	0	0.02	0.03	0.11
9700	0.01	0.02	0.03	0.09	0.14	0.15	0.16	0.24
9725	0	0	0	0.03	0.38	0.39	0.38	0.43

Est. vol. total, Calls 22127 Puts 10590. Previous day's open int., Calls 376065 Puts 288416

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9850	0.06	0.15	0.18	0.18	0.29	0.43
9875	0.02	0.07	0.09	0.39	0.46	0.59

Est. vol. total, Calls 0 Puts 25. Previous day's open int., Calls 4553 Puts 2025

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9225	0.27	0.81	1.15	0.15	0.09	0.10
9250	0.14	0.61	0.94	0.27	0.14	0.14
9275	0.06	0.44	0.75	0.44	0.22	0.20

Est. vol. total, Calls 5170 Puts 4450. Previous day's open int., Calls 87200 Puts 46405

COMMODITIES AND AGRICULTURE

Explorers flock to Shetlands

By Robert Corzine

The UK's newest oil province West of the Shetland Islands has attracted the greatest amount of exploration activity over the past three months, according to a new study by the Arthur Andersen consultancy.

There has been much speculation in the UK oil industry about whether any major discoveries have been made in the area, but most oil companies have kept the results of their exploration programmes secret.

Interest in the area remains strong, however, with seven new exploration wells launched in the third quarter of the year, more than in any other UK offshore sector.

The report notes that most recent drilling activity in UK waters has been focused on exploration, with wildcat wells accounting for three of every four wells launched between July and the end of September. Two discoveries were recorded in that period, the report says.

Exploration and appraisal activity has been generally strong across northwestern Europe this year, with drilling levels up 12 per cent from the same period last year. Norway was a noticeable exception, however, with a 28 per cent fall in drilling activity compared with 1995.

The Netherlands has seen a burst of exploration and development activity, with overall drilling levels recording a 175 per cent rise on 1995, and the number of exploration wells up by almost 300 per cent.

Meanwhile, another new report suggests that the present gas surplus in the UK is likely to persist until at least the end of 1998, when the new gas export pipeline linking Britain with continental European markets is due to be completed.

The report on the UK gas industry by the Oxford Institute for Energy Studies predicts that the dispute that has arisen between British Gas and big North Sea gas producers over £40bn of take-or-pay contracts will not be solved by the emergence of a new export pipeline. Although the pipeline offers owners of surplus gas an export route, the report says lower continental European prices might make such exports unprofitable.

Staking rush begins as Quebec ends freeze

By Robert Gibbens in Montreal

A big staking rush began yesterday morning after the Quebec government lifted a six-week exploration freeze on a 800 sq km area north of Sept Iles, the St Lawrence iron ore shipping port 700 miles north-east of Montreal.

On August 28 the government said its geologists had found high-grade nickel-copper-cobalt showings 60 miles north of Sept Iles. They took surface samples in a 25 sq km area staked completely by government teams earlier.

The government then banned all staking in the 800 sq km area around the find. Scores of mining companies stood by for weeks waiting for the freeze to be lifted. Every helicopter in the area was rented. The release came at 7am without warning and scores of helicopters and staking crews moved out from Sept Iles.

"We had two helicopters and a dozen men out there immediately," said Mr Pierre Gauthier, chairman of the St Genevieve Resources group which has been working north of Sept Iles for two years. "We've already got more than 1,000 claims outside the 800 sq km perimeter and copper-nickel showings on some."

Australia plans native title veto

By Nikki Tait in Sydney

Negotiations between aboriginal native title claimants and mining companies could be overridden by a federal minister if these threatened a project of "major economic benefit" to Australia, under a set of proposed legislative amendments announced by the government yesterday.

Outlining the controversial changes in parliament, Mr John Howard, Australia's prime minister, said that this addition to Australia's three-year-old Native Title Act was specifically designed to prevent a repeat of the Century mine situation.

Century is a potential A$1.1bn (US$865m) zinc mine development in Queensland, being proposed by RTZ-CRA, the Anglo-Australian mining group. The project has been held up for months because lack of agreement between local aboriginal claimants and RTZ-CRA.

The mining company had originally been trying to strike a deal outside the lengthy formal processes laid down by the 1993 Native Title Act, but has now invoked these.

"To prevent a repeat of the *Century situation, the [federal] minister* for aboriginal and Torres Strait islander affairs will be able to ensure that a project of major economic benefit to Australia can proceed if it appears that that benefit will be lost if a decision is not made urgently," Mr Howard said.

Other amendments to the Native Title Act being proposed by Australia's new conservative federal government include a streamlining of the "right to negotiate" process, which lays out a formal process for talks between would-be developers and claimants.

"The process will be streamlined. . . to ensure that it is only necessary for a mining project to go through the process once, and that negotiations with *native title holders. . . focus* on the actual impact of the mine on their native title," said Mr Howard.

The amendments come almost three years after Australia's federal parliament passed the Native Title Act – which, for the first time, recognised aboriginal native title rights and set up a system for handling claims. But mining companies – and other would-be land developers – claim that the process is too cumbersome and threatens to drive investment overseas.

Confusion over whether past grants of pastoral leases extinguish native title rights has compounded their difficulties, while no aboriginal claim has yet been successfully resolved – although a number of claimants have *reached settlements* with mining companies.

However, the amendments are set for a stormy passage in parliament. The new Liberal-National coalition government does not have a senate majority and the attitude of the minor parties and independents, who hold the balance of power there, will be critical.

Britain's landfill tax raises stakes for compost makers

The government hopes that 1m tonnes of organic waste will be recycled annually by the year 2000, writes **Alastair Guild**

The British government's recent imposition of a landfill tax has been increasingly exercising the minds of those responsible for waste disposal. The government hopes that 1m tonnes of organic waste alone will be recycled annually by the year 2000, with agriculture expected to provide the main outlet.

Some authorities have already commissioned dedicated composting plants, committing themselves to varying degrees of centralised sorting and processing.

A company launched last month is seeking to harness a growing interest in separation of materials at source and then composting on-farm.

The Organic Resource Agency will aim to promote long term contracts for organic municipal waste, among both organic and conventional farms. The ORA is a subsidiary of the Elm Farm Research Centre in Berkshire, which has piloted on-farm composting schemes involving householders and industry, local authorities, waste management companies and farmers. Its organic advisory service is already working with farms covering some 20,000 hectares.

Source separation combined with on-farm composting are seen as important steps in reassuring farmers about the cleanness, nutritive value and environmental impact of the compost.

"Farmers will be offering a service rather than a market, in the early days at least," says Mr Hugh Bulson, ORA's managing director. He has worked for EFRC since 1992 as a farm adviser and research project manager. "Waste management companies already collect millions of tonnes of organic waste, but recognise that processing of the waste is not necessarily part of their business.

"In my experience, most farmers would be loath to pay for such material. They would certainly be reluctant to spread it on *their land* were they unsure where it came from and what it contained. Contamination as apparently innocuous as vacuum cleaner dust can lead to a build up of heavy metals in the soil. Delivery of the raw material to a holding, backed up by laboratory analysis, gives a farmer ample opportunity to see what the compost is *actually* made of."

> 'Compost is likely to be a supplement to, rather than substitute for conventional inputs for most farmers'

Now Wokingham and South Hams District Councils have commissioned feasibility studies on on-farm composting schemes for their districts and a number of other local authorities are considering similar proposals. The company is also in negotiation with waste management companies such as Biffa Waste Services, Cleanaway and Wyvern Waste Services to integrate the separate collection of organic waste with the development of on-farm composting.

J. Sainsbury, meanwhile, has asked ORA to identify and advise on the operation of potential sites for the composting of vegetable waste from their stores. Each store typically generates three to four tonnes of such waste a week.

"Putricible" waste will attract the highest rate of landfill tax, £7 a tonne. Such waste generates methane and leachate and can cause subsidence if left to decompose in the ground.

There are three likely outlets for compost:

- The Composting Association would like to see 40 per cent of domestic properties with a garden home-composting within the next ten years;
- Compost should be supplying 40 per cent of the gardening market for non-peat based soil improvers and growing media by the year 2000;
- The agricultural sector alone could absorb over 98 per cent of waste-derived compost, according to Markets for Composts and Digestates Derived from Organic Municipal Waste, published by the Department of the Environment. But there is, as yet, no national certification or standard for compost.

"The idea is for the farmer to utilise available labour and existing infrastructure such as concrete pads, redundant buildings or weighbridges," says Mr Bulson. Farmers will be paid a gate fee for taking the compost. The recycling credit received by the waste disposal authority, equivalent to a landfill cost from October of £20 to £25 a tonne, will be passed on to cover the cost of service provided by the farmer.

The material will need screening and, if particularly woody, may need shredding. The 'windrows', or elongated heaps, also need regular turning for aeration. Each piece of equipment may cost upwards of £100,000, so most farms are likely to hire.

Compost from the pilot schemes has contained useful levels of nitrogen, phosphorous and particularly useful levels of potassium at over 2 per cent of dry matter. It is also close to achieving *carbon/nitrogen ratios* that allow sufficient release of the nitrogen without significant leaching.

"Compost is likely to be a supplement to, rather than substitute for conventional inputs for most farmers, more to do with soil structure," says Mr Bulson. Each acre of arable land could be expected to benefit from at least ten tonnes of compost. It will improve moisture and nutrient retention in the medium to long term in *sandy soils, for example*, and make clay soils easier to cultivate, particularly when wet.

Mr Bulson doubts if compost from the large, centralised composting plants being built by some waste disposal authorities and largely handling "co-mingled" waste (waste not separated at source) will provide farmers with the reassurance they need on physical contamination or heavy metal levels.

"If we want agriculture to realise its undeniable potential for solving the problem of organic waste disposal, we need to work with farmers right from the beginning," he says.

The Organic Resource Agency: Tel. 01488 658298. Fax. 01488 658503

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1286.5-7.5	1320-1
Previous	1308.5-09.5	1342.5-43.0
High/low	1308.5	1350/1315
AM Official	1308-8.5	1341-2
Kerb close		1323-4
Open int.	222,437	
Total daily turnover	43,682	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1175-85	1200-05
Previous	1195-205	1215-25
High/low	6970	1205/1195
AM Official	1200-10	1215-25
Kerb close		1195-200
Open int.	5,379	
Total daily turnover	1,433	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	765-7	765-6
Previous	771.5-72.5	771-72
High/low	768	767/763
AM Official	767-8	766-7
Kerb close		766-7
Open int.	38,724	
Total daily turnover	6,747	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6980-90	7090-100
Previous	7040-50	7155-60
High/low	6970	7230/7050
AM Official	6960-70	7080-85
Kerb close		7120-30
Open int.	44,020	
Total daily turnover	10,588	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5985-95	6040-50
Previous	6005-15	6060-65
High/low	6011/6010	6075/6045
AM Official	6011-15	6065-70
Kerb close		6050-55
Open int.	16,428	
Total daily turnover	3,629	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1006-7	1032-3
Previous	1000-01	1026-26.5
High/low	1010/1009	1036/1031
AM Official	1008.5-9.0	1035.5-6.5
Kerb close		1035-6
Open int.	72,902	
Total daily turnover	20,563	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1933-34	1924-5
Previous	1945-47	1935-36
High/low	1955/1954.5	1954/1915
AM Official	1954.5-5.0	1942-3
Kerb close		1928-9
Open int.	177,586	
Total daily turnover	68,004	

■ LME AM Official £/$ rate: 1.5649
LME Closing £/$ rate: 1.5648

Spot: 1.5640 3 mths: 1.5626 6 mths: 1.5614 9 mths: 1.5603

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	91.60	-1.30	91.60	90.50	434	3,695
Nov	90.80	-1.45	90.90	90.30	258	1,925
Dec	90.35	-1.30	91.70	89.00	9,180	25,931
Jan	90.10	-1.15	90.30	89.30	11	1,338
Feb	89.75	-1.10	89.30	88.60	55	936
Mar	89.35	-0.95	90.70	88.30	1,070	9,310
Total					11,282	88,025

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.35-381.65		
Opening	380.80-381.10		
Morning fix	380.90	243.247	477.268
Afternoon fix	381.35	243.721	478.213
Day's High	381.95-382.15		
Day's Low	380.35-380.65		
Previous close	380.80-381.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.85 6 months 3.54
2 months ....3.76 12 months 3.65
3 months 3.55

Silver Fix	p/troy oz.	US cts equiv.
Spot	311.65	488.00
3 months	316.00	494.35
6 months	320.00	500.35
1 year	328.90	513.45

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	247-249
Maple Leaf	388.60-389.10	-
New Sovereign	89-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	381.2	+0.2	381.0	381.0	6	28
Dec	383.5	+0.1	384.4	382.6	15,695	1,103k
Feb	385.8	+0.2	386.6	385.2	113	15,639
Apr	388.1	+0.3	388.6	388.2	113	10,942
Jun	390.5	+0.4	390.8	390.0	25	11,022
Aug	392.9	+0.4	393.2	393.2	105	4,109
Total					16,877	193,843

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	389.3	+2.2	387.5	387.5	16	108
Jan	391.0	+2.2	391.8	387.6	1,123	20,200
Apr	393.7	+2.2	394.0	392.0	89	7,317
Jul	396.7	+2.2	396.0	396.0	421	919
Oct	400.2	+2.2	399.0	397.0	25	27
Total					1,150	28,571

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	118.50	-0.75	119.00	118.05	183	7,560
Mar	119.50	-0.75	120.25	120.00	-	184
Jun	120.55	-0.75	-	-	-	115
Total					183	7,869

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	493.4	+7.8	486.0	482.0	8	3
Dec	497.3	+7.5	499.5	488.0	7,361	68,112
Jan	499.5	+7.5	500.0	500.0	2	28
Mar	504.5	+7.6	507.0	496.0	80	11,130
May	509.2	+7.8	508.0	506.0	13	6,412
Jul	513.9	+7.8	509.5	506.5	10	4,966
Total					7,761	97,844

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	25.42	-0.12	25.53	25.26	38,035	74,407
Dec	24.92	-0.16	25.10	24.84	26,624	78,811
Jan	24.28	-0.11	24.40	24.20	10,208	47,474
Feb	23.62	-0.09	23.71	23.58	8,030	30,192
Mar	23.00	-0.12	23.10	22.97	3,312	17,864
Apr	22.50	-0.12	22.60	22.46	2,453	14,664
Total					94,399	422,680

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	24.55	-0.03	24.62	24.32	8,276	29,854
Dec	24.05	-0.06	24.14	23.84	12,375	52,333
Jan	23.45	-	23.45	23.16	5,832	28,399
Feb	22.64	-0.01	22.71	22.46	2,385	17,625
Mar	21.92	+0.02	21.97	21.80	1,922	22,245
Apr	21.33	+0.06	21.35	21.13	792	7,314
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	75.25	-0.94	76.65	74.70	20,386	42,007
Dec	74.65	-1.03	76.30	74.20	14,899	34,879
Jan	72.75	-0.68	73.45	72.40	9,360	25,554
Feb	69.90	-0.28	70.30	69.20	6,718	12,984
Mar	66.60	+0.07	66.70	66.15	1,740	8,108
Apr	62.60	-0.03	62.80	62.50	1,351	4,248
Total					55,587	143,950

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	246.00	-1.00	248.00	244.25	7,405	8,666
Nov	238.25	-1.75	241.50	237.50	8,643	26,308
Dec	229.75	-0.75	232.00	229.25	3,990	21,225
Jan	221.00	+0.25	222.50	220.50	3,384	14,383
Feb	211.00	+0.25	212.25	210.50	526	3,722
Mar	201.00	+0.50	202.25	201.00	762	4,757
Total					27,663	92,640

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	2.530	+0.092	2.560	2.441	20,574	29,019
Dec	2.665	+0.060	2.685	2.597	11,062	26,443
Jan	2.675	+0.048	2.700	2.608	5,746	19,108
Feb	2.520	+0.028	2.540	2.460	1,880	10,904
Mar	2.345	+0.018	2.360	2.320	1,121	7,230
Apr	2.165	+0.010	2.165	2.145	260	5,289
Total					43,918	141,976

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	66.70	+0.20	67.25	66.30	14,353	25,022
Dec	65.90	+0.03	66.15	65.45	5,936	13,900
Jan	64.75	+0.08	65.00	64.40	2,558	10,244
Feb	64.15	-0.02	64.35	64.15	386	3,230
Mar	64.50	+0.08	64.50	64.50	174	1,844
Apr	66.30	-	66.70	66.30	340	2,298
Total					23,871	59,014

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	102.40	+0.20	102.40	102.00	46	1,596
Jan	104.40	+0.30	104.50	103.80	120	1,982
Mar	105.70	+0.25	105.70	105.25	54	1,461
May	107.50	+0.30	107.60	107.00	125	1,138
Jul	108.75	+0.25	108.75	108.50	125	136
Nov	100.00	-	100.00	99.75	23	47
Total					352	6,360

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	427.00	-1.50	432.50	425.00	9,641	42,331
Mar	415.25	+1.50	418.00	413.50	2,247	15,560
May	395.50	+4.25	397.50	393.50	225	1,529
Jul	377.00	+5.25	378.00	373.00	404	7,374
Sep	378.00	+4.50	379.50	378.00	35	205
Dec	386.00	+4.50	381.50	381.50	61	155
Total					12,562	67,208

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	293.75	-2.75	297.00	292.75	34,710	166,368
Mar	300.75	-3.00	303.75	299.75	7,520	72,768
May	306.25	-3.25	309.75	305.50	4,551	33,103
Jul	309.75	-2.75	313.25	309.00	3,909	26,576
Sep	293.50	-1.25	294.50	293.00	222	3,056
Dec	290.75	-	291.00	289.25	1,886	18,066
Total					52,806	320,410

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	101.40	+0.65	101.25	101.00	24	811
Jan	102.90	+0.50	102.75	102.75	4	706
Mar	104.25	+0.35	104.25	104.25	10	188
May	105.75	+0.35	-	-	-	95
Total					38	1,801

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	738.25	+1.75	739.50	735.00	30,901	94,409
Jan	745.50	+1.50	746.75	742.50	8,830	34,133
Mar	752.75	+1.50	753.50	749.25	2,959	21,284
May	754.00	+2.25	754.00	751.50	1,748	13,744
Jul	755.00	+2.00	755.50	752.50	1,916	11,344
Aug	748.00	+2.00	749.00	748.00	12	297
Total					48,128	182,152

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	23.55	+0.14	23.54	23.33	1,654	1,135
Dec	23.88	+0.11	23.90	23.70	7,001	51,801
Jan	24.15	+0.11	24.15	23.99	1,803	13,644
Mar	24.49	+0.10	24.48	24.34	947	14,370
May	24.78	+0.10	24.75	24.62	480	7,736
Jul	25.08	+0.08	25.05	24.92	226	2,149
Total					12,161	93,309

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	248.8	+0.9	248.9	247.5	2,100	6,135
Dec	245.2	+0.4	245.9	244.4	8,217	45,065
Jan	243.6	+0.5	244.1	242.7	2,379	10,323
Mar	241.1	+0.7	241.5	240.2	1,699	14,274
May	238.1	+1.1	238.5	237.5	558	8,446
Jul	237.2	+0.7	237.5	236.5	243	3,575
Total					15,250	88,645

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	35.0	-	-	-	-	2
Mar	74.4	+1.2	-	-	-	-
Apr	75.0	+1.2	75.0	74.5	68	1,328
May	85.7	+1.2	-	-	-	17
Jun	94.2	+1.2	-	-	-	-
Total					68	1,347

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	1135	+5	1138	1130	48	1,146
Nov	1205	+10	1205	1195	36	595
Jan	1225	+3	1226	1220	20	1,525
Apr	1245	+3	1248	1240	20	523
Jul	1096	-2	1100	1100	10	120
Oct	1230	-	1225	1225	-	29
Total					142	4,086

	Close	Prev
BFI	1644	1634

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); 1996 crop prices not yet opened as major supplier, RPPC, is still negotiating with growers; spot at 3,600, limited quantity. US almonds (shelled), Nonpareil availability limited; 18/20 NPS stable at 5,750 FAS California, October shipment – market quiet. US walnuts: LHP 20%: 5,500; in-shell (yield estimated nearly 50% down) up at 2,380 – both FAS California. Turkish hazelnuts, standard No 1, vulnerable between 3,600 and 3,700CFR. Indian cashews raw: W-320, 5,300 FOB India, down with new Brazilian crop. US pecans, fancy junior mammoth halves, 1996 crop, estimated at 5,400 FOB after recent storms.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	977	+3	980	972	2,276	31,328
Mar	1005	+3	1009	1000	721	40,339
May	1018	+4	1021	1015	328	19,956
Jul	1032	+5	1034	1028	59	11,579
Sep	1046	+6	1046	1044	26	3,908
Dec	1056	+5	1057	1052	37	3,845
Total					3,713	133,586

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1385	+18	1385	1370	2,970	29,230
Mar	1414	+18	1415	1400	1,757	19,776
May	1432	+19	1432	1421	42	8,248
Jul	1445	+18	1445	1438	114	6,214
Sep	1460	+10	1460	1458	32	5,652
Dec	1484	+10	-	-	70	664
Total					5,070	78,814

■ COCOA (ICCO) (SDR's/tonne)

Oct 8	Price	Prev. day
Daily	1021.99	1025.12

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1549	+29	1552	1520	1,568	13,073
Jan	1486	+35	1490	1455	1,580	9,115
Mar	1458	+37	1458	1420	1,041	5,271
May	1437	+35	1437	1400	443	2,117
Jul	1432	+38	1412	1400	10	246
Sep	1429	+36	-	-	-	37
Total					4,642	29,862

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	113.55	+1.05	115.50	112.25	5,382	14,588
Mar	105.85	+0.20	107.50	105.50	1,620	6,596
May	105.15	-0.35	106.75	104.50	316	2,446
Jul	105.25	+0.25	106.10	105.25	55	779
Sep	105.25	+0.10	106.10	106.00	34	249
Dec	106.00	+0.15	106.50	105.90	46	313
Total					7,376	25,034

■ COFFEE (ICO) (US cents/pound)

Oct 8		Prev. day
Comp. daily	98.65	98.69
15 day average	95.35	95.17

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	322.0	-1.3	323.4	321.0	1,904	10,158
Mar	319.1	-1.1	320.0	318.2	1,842	10,040
May	319.3	-0.7	319.6	318.6	222	3,890
Aug	321.6	-0.2	322.0	320.6	138	1,587
Oct	314.0	-0.2	313.9	313.6	22	953
Dec	316.8	+0.5	316.3	316.3	24	265
Total					4,190	27,171

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.78	-0.04	10.80	10.72	4,842	85,293
May	10.78	-0.01	10.79	10.72	1,246	24,825
Jul	10.68	+0.03	10.68	10.61	464	16,768
Oct	10.64	+0.04	10.65	10.57	939	10,659
Mar	10.59	+0.05	10.59	10.52	206	3,394
May	10.56	+0.05	10.57	10.47	84	502
Total					7,747	141,884

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	75.03	-0.27	75.50	75.10	26	301
Dec	76.23	+0.39	76.40	75.50	9,333	30,911
Mar	77.43	+1.44	77.45	76.61	724	10,823
May	78.10	+0.30	78.20	77.20	197	6,436
Jul	78.40	+0.25	78.40	77.80	104	4,887
Oct	78.10	-0.15	77.75	77.62	31	1,010
Total					10,489	58,885

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	113.20	-2.70	115.15	112.00	1,861	6,557
Jan	107.56	-0.95	108.25	106.35	456	6,248
Mar	109.40	-0.60	109.50	109.00	46	2,873
May	111.35	-0.60	112.00	110.50	1	672
Jul	113.40	-0.60	-	-	104	433
Sep	114.35	-0.65	-	-	-	234
Total					2,471	17,118

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 9	Oct 8	month ago	year ago
1896.4	1894.9	1937.2	2075.0

■ CRB Futures (Base: 1967=100)

Oct 8	Oct 7	month ago	year ago
249.14	247.81	-	-

■ GSCI Spot (Base: 1970=100)

Oct 8	Oct 7	month ago	year ago
213.48	211.30	202.44	178.44

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	71.425	-0.600	72.475	71.250	2,007	15,184
Dec	65.625	-0.575	66.400	65.350	4,835	38,497
Feb	63.900	-0.375	64.450	63.650	1,598	17,940
Apr	65.825	-0.300	66.150	65.650	801	9,032
Jun	63.575	-0.250	63.975	63.500	262	4,132
Aug	63.350	-0.200	63.650	63.325	88	4,326
Total					9,873	90,587

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	60.075	+0.150	60.675	59.400	2,861	4,299
Dec	57.500	-0.475	58.475	56.900	6,061	18,743
Feb	78.500	-0.050	78.950	78.050	1,469	7,210
Apr	74.000	+0.050	74.475	73.600	336	2,788
Jun	77.825	+0.100	77.900	77.400	95	3,000
Jul	75.150	+0.200	75.150	74.750	16	670
Total					10,925	37,544

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	78.525	-0.350	79.800	77.200	2,085	5,354
Mar	77.950	-0.900	79.650	77.275	140	860
May	79.800	-0.650	80.600	78.750	58	301
Jul	79.975	-0.575	80.400	79.000	18	167
Aug	77.800	-	77.300	77.300	2	28
Total					2,303	6,710

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1300	30	60	25	34
1350	11	36	55	60
1400	4	20	97	93
■ COPPER (Grade A) LME	**Nov**	**Feb**	**Nov**	**Feb**
1850	114	133	20	57
1900	53	82	58	105
1950	20	48	124	167
■ COFFEE LIFFE	**Nov**	**Jan**	**Nov**	**Jan**
1500	55	67	6	79
1550	22	48	23	110
1600	7	35	57	147
■ COCOA LIFFE	**Dec**	**Mar**	**Dec**	**Mar**
975	33	64	31	34
1000	22	51	45	46
1025	15	40	63	60
■ BRENT CRUDE IPE	**Nov**	**Dec**	**Nov**	**Dec**
2350	-	-	2	-
2400	52	-	9	-
2450	32	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$22.08-2.18	+0.045
Brent Blend (dated)	$24.60-4.62	-0.06
Brent Blend (Nov)	$24.50-4.52	-0.04
W.T.I.	$25.32-5.33	-0.175
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$230-234	+2.5
Gas Oil	$247-248	-1.5
Heavy Fuel Oil	$121-123	+2
Naphtha	$229-231	+4
Jet fuel	$272-273	-3.5
Diesel	$268-270	+1.5
■ NATURAL GAS (Pence/therm)		
Bacton (Nov)	13.10-3.30	-0.20
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)‡	$381.50	-0.50
Silver (per troy oz)‡	494.00c	+4.50
Platinum (per troy oz.)	$384.25	-0.75
Palladium (per troy oz.)	$117.25	-0.75
Copper	99.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.85r	-0.02
Tin (New York)	280.50	-1.0
Cattle (live weight)	93.62p	+0.48*
Sheep (live weight)	112.88p	-0.99*
Pigs (live weight)†	102.94p	-2.67*
Lon. day sugar (raw)	$273.90	-2.9
Lon. day sugar (wte)	$330.00	-1.0
Barley (Eng. feed)	105.50	
Maize (US No3 Yellow)	128.00	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	83.25p	
Rubber (Dec)♥	83.25p	
Rubber (KL RSS No1)	310.5v	+1.5
Coconut Oil (Phil)§	$742.5z	-2.5
Palm Oil (Malay.)§	550.0	-5.0
Copra (Phil)§	$503.0x	
Soyabeans (US)	216.0	
Cotton Outlook'A' index	75.75	
Wooltops (64s Super)	405p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. ♥ Oct/Nov z Sep/Oct ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,364 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,195 Set by ARMONIE

ACROSS

1 Meet outside the food shop. That's the *start of your* devotion (8)
5 Critic cut the Queen (6)
10 Stout found among The Globe's emergency stock (5)
11 An event in a European cellar (4,5)
12 "Spread the game", doc*tor's to say* (3-6)
13 A horseman's qualification (5)
14 Fold party clothes (3-3)
15 Touching performance in a hat (7)
18 Advance guard captures a jerk in the palace (7)
20 Second-class game played under the table (6)
22 Roman dancing-girl (5)
24 Irish port's sailors use this to get to the drink (9)
25 Empty-headed coppers protect resort in unrestricted area (4,5)
26 Love the belt! It's a gas! (5)
27 Pleasant sounding rock (6)
28 They're off the Isle of Wight, to the south, and unwanted (8)

DOWN

1 This is covered in dust! Heartless fogey adopts a grim expression (6)
2 Bream and toad cooked for dish (9)
3 The unemployed lied maliciously about certain Tory women (8,7)
4 The barman appears a good man in the light (7)
6 Geordie girl's puzzle demonstrates an ideal relationship (5,1,5,4)
7 The poet's pen (5)
8 Countered the wrong in animal rearing (8)
9 Alien upset Harris over small bloomer (6)
16 Priest one ordered to mediate (9)
17 The odds on getting good service (8)
19 Catch a cold in rain, initially. Sweet drink's required (6)
20 Oriental rubs me the wrong way over opening of Embassy (7)
21 Leak on board ship spreads rapidly (6)
23 Local official – one having a bill? (5)

Solution 9,194

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
The India Magnum Fund Ltd				
NAV Sep 27	$41.85		—	-
The India Special Situations Fund Ltd				
NAV Aug 31	$814.14		—	-
Indian Opportunities Fund Ltd				
Ordinary Oct 2	$8.31	8.63	—	-
Indosuez Asset Management Asia Ltd				
Japan Fd (z)	$14.516	15.289	-0.01	-
Pacific Tst (z)	HK$36.980	38.919	-0.08	-
Hong Kong Fd (z)	$62.570	65.865	-0.015	-
Managed Tst	$38.385	40.420	-0.08	-
S'pore & Malaysia (z)	$47.080	49.575	-0.225	-
Asian Growth Fd (z)	$94.42		(z)	-
Asian Income Fd (z)	$72.10		(z)	-
ISA Japan Regnl Gth (z)	Y911		(z)	-
Pacific Gold Fd (z)	$19.19		(z)	-
Himalayan Fd Oct 2	$12.89		-0.37	-
Malacca NAV Oct 2	$13.08		—	-
Manila Fd NAV Oct 2	$30.94		—	-
Siam Fd NAV Oct 8	$48.2		—	-
Indosuez Korea (z)	$10.11		-0.06	-
Shanghai (Cayman) Ltd Oct 3	$10.33		—	-
Bangladesh Oct 8	$20.65		+4.71	-
Ibn Battutah Asian Growth	$10.4571		—	-
Asian Portfolios-Indosuez A	$17.10		—	-
Asian Portfolios-Indosuez B	$17.11		(z)	-
Indosuez Asset Mngt Latin America SA				
Brazil Brady Oct 2	$197.6292		—	-
Brazil Equity Value Ltd	$104.8113		—	-
Brazil Fixed Income Oct 4	$17000.03		—	-
Integral Hedged Assets Ltd				
UK Sentinel	£11.63		—	-
American Sentinel	£13.38		—	-
Japanese Sentinel	£08.76		—	-
Continental European Sentinel	£09.72		—	-
Intermarket Technical Group				
Technical Fund	$9.91		—	-
The International Investor				
Intl Mujtaba Emerging Markets	$11.46		—	-
INVESCO Asia Ltd				
INVESCO Asia	$44.98	47.22	—	-
INVESCO ASEAN Development	$29.13	30.60	—	-
MFC INVESCO Thailand			(z)	-

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	aWH	441	-3	558	419	4,575	6.7	16.7
Bulmer (HP)	♣	522½	+7½	625	477	275.9	3.2	17.5
Burn St Dcl	♣	83½	+½	146	81	48.5	7.5	18.0
Glenmorangie A		755	—	776	600	87.9	2.0	19.3
Grand Met	♣†	481½	+1½	481½	411	10,186	4.0	20.4
Guinness	♣†	446xd	-1	521	435	8,807	4.3	13.8
Highland	♣†	340½	-3	397	315	453.8	2.9	15.9
5¾pc Cnv Bds		101	—	101½	100½	–	–	–
Kirin Y		662½	—	879½	622¼	6,971	0.9	27.4
Matthew Clark	♣♣	330	-9½	803	277½	300.0	8.8	18.2
Merrydown	♣	113	—	141	93	12.3	5.0	10.3
Seagram $		£23½	-11	£26¾	£20¾	6,279	1.2	–

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

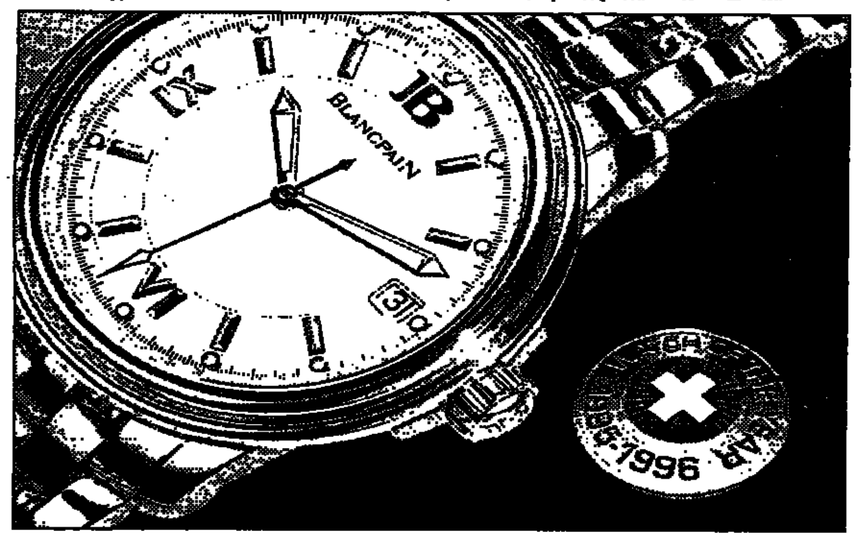
[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]



PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TELECOMMUNICATIONS - Cont.

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	g	£22¼ xd	–	*£34½	£22¼	1,824	3.4	ф
Barlow	♣†	685	+15	£10⅞	£5⅞	1,287	2.0	–
Gold Flds Prop R		124	–	170	120	13.1	8.6	10.1
NK Props		60	–	96	60	2.41	15.0	–
SASOL	♥	645	–	710	475	3,777	1.7	–
SA Brews		£17⅞	–⅜	£20⅝	£16¾	5,087	2.0	ф
Standard Bank		£28⅝	–⅜	£32⅞	£23¼	3,227	1.4	23.4
Tiger Oats	†	780	–	1270	770	1,188	2.0	16.4
Tongaat-Hulett		799¼ xd	+9¾	1247	736	757.0	2.3	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. m Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a

FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

LONDON STOCK EXCHANGE

FTSE heads back towards the 4,000 level

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The FTSE 100 index came back to within 7.2 points of the 4,000 level yesterday as UK shares retreated in the face of a poor performance by Wall Street overnight and at the start of trading yesterday.

Adding to the market discomfort late yesterday were rumours, subsequently denied, that Mr Boris Yeltsin, the Russian president, had died. Notwithstanding the denials, the FTSE 100 index ended the session a net 26.3 lower at 4,009.3, only two points above the day's lowest point.

The selling pressure tended to be confined to the leading stocks, however, with the second-liners and small cap stocks little changed at the end of the day.

The FTSE 250 ended a mere 4.0 off at 4,431.3, while the SmallCap index managed the smallest of gains, closing 0.1 up at 2,177.3.

"The Yeltsin rumours caused a mini-markdown but there was no real evidence of any large-scale selling," noted one dealer. He said the big institutions were holding off, concerned that Wall Street might tumble further.

But he insisted that they would move in to pick up cheap stock as soon as the market started to turn.

Domestic political worries were also said to have played a part in the decline, with vague talk of a snap general election, although this was disregarded by strategists.

Dealers pointed to the performance of gilts – where the 10-year gilt finished around 8 ticks better and the 30-year gilt ⅜ higher – as an indicator of the likelihood of a surprise election – "no chance" as one put it.

This morning brings official inflation figures for September, forecast to come in up 0.5 per cent on the month and 2.1 per cent over the year.

There was widespread concern, at the latest sell-off on Wall Street where the Dow Jones Industrial Average followed Tuesday evening's 13-point fall with a near 50-point decline not long after opening. The US Treasury market's resilience helped to calm rather frayed nerves on both sides of the Atlantic.

Relatively poor turnover across UK equities lent credence to dealers' claims that there had been no real downside pressure on UK stocks. Turnover at 6pm came out at a relatively light 645.7m shares. Customer business on Tuesday was £1.75bn.

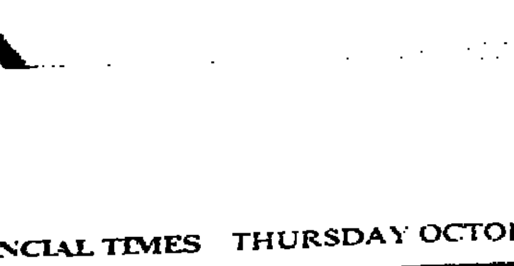
The worst affected areas of the market were oils and pharmaceuticals, traditionally big favourites with US investors. One trader said Tuesday evening was the first time for many weeks that US investors had been net sellers of UK stocks.

The effect on those sectors was evident from the outset in London with one of the big US brokers, Lehman Brothers, playing a big part in hitting Glaxo shares.

There could well be more nervousness in the UK market this morning.

Mr David Schwartz, stock market historian and author of the *Stock Market Handbook*, pointed out that yesterday was the seventh most likely day of the year to witness a sharp reversal in share prices and today the tenth most likely.

FTSE All-Share Index



Source: Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

Indices and ratios

FTSE 100	4009.3	-26.3
FTSE 250	4431.3	-4.0
FTSE 350	1995.4	-10.7
FTSE All-Share	1969.07	-9.75
FTSE All-Share yield	3.74	3.73

FT 30	2835.2
FTSE Non-Fins p/e	18.15
FTSE100 Fut Dec	4044.0
10 yr Gilt yield	7.36
Long gilt/equity yld ratio	2.08

Best performing sectors

1 Distributors .... +1.3
2 Textiles & Apparel .... +0.8
3 Building Mats & Merchs .... +0.6
4 Household Goods .... +0.6
5 Tobacco .... +0.5

Worst performing sectors

1 Pharmaceuticals ....
2 Oil Exploration & Prod ....
3 Telecommunications ....
4 Oil: Integrated ....
5 Mineral Extraction ....

Broker caution on Glaxo

A sharp correction in leading pharmaceuticals stocks, partly prompted by a change of heart from one US broker, set the trend in London yesterday.

Glaxo Wellcome fell after Lehman Brothers downgraded the stock to "hold" from "outperform".

Analyst Mr Stewart Adkins said there had been hopes of a boost to the share price from positive data on Glaxo's new hepatitis treatment, which was expected at the beginning of November.

However, a specialist trade publication published evidence of the treatment's 39 per cent success rate with a small sample of patients and deprived Glaxo of the opportunity to trumpet its success.

The impact of Lehman comments combined with weakness on Wall Street, where Glaxo is heavily traded in ADR form, to send the shares down 31 to 990p the biggest fall in the Footsie. Meanwhile Zeneca, dropped 38 to 1612½p.

BT weakened

Surprise news that BT had lost one of the partners in its three-way European alliance hit the share price yesterday. BT announced yesterday that it had terminated talks with RWE.

Mr James McCafferty of ABN Amro Hoare Govett said it was too early to quantify the damage, but if BT had to carry on with one partner rather than two the increased capital expenditure was likely to be earnings dilutive.

Some telecoms specialists were arguing early in the day that BT's loss would be Cable & Wireless's gain. However, as the day wore on, a view developed that Cable would later announce it was not getting into bed with RWE. The announcement that Cable was, in fact, linking with RWE came too late to prevent the shares shedding 4 to 430p. BT fell 7½ to 348½p.

Eurotunnel hit

Eurotunnel fell 11½ to 93½p as the stock tumbled for a second day in London and on the Paris bourse.

Most of the selling took place in Paris, where just under 13.7m shares were traded compared with London's 2.5m.

French analysts were reported as saying that small French shareholders who had expected the debt restructuring to turn around the company were more than disappointed with the plan. One French analyst was quoted as saying the stock was no longer worth anything and that he could not put a price on it. UBS had similar sentiments and reiterated a nine-year "sell" and in a note said that the complexity of the proposals underlined the severity of Eurotunnel's financial problems. UBS said: "It is by no means certain that this plan is sufficiently comprehensive to be Eurotunnel's final rescue plan and we believe that the existing equity is limited to 'voting' rather than economic value."

Asda bought

Asda was one of the strongest performers on the FTSE 100, hardening 2 to 109¾p on trading of 8.2m after SBC Warburg repeated a "buy" rating on the supermarket chain and set a price target of 125p which it expected to be reached by January.

Mr Neil Currie, the food retailing analyst at Warburg, was reported to have said Asda was trading at a 15 per cent discount to the rest of the market when its earnings growth was better than average and that it was in line with the sector despite traditionally trading at a premium.

He said Tesco's Unlimited Value campaign had been aimed at Asda, but had not had as big an impact as expected. He said Asda's management had strength in depth to make up for Mr Archie Norman, its chief executive moving to chairman.

W H Smith fell 9½ to 455½p on reports that the £142m sale of its Business Supplies business to Guilbert was encountering problems. However, analysts did not appear to think it was a big issue. One even suggested that problem had been aired by one of the parties to strengthen its hand in negotiations.

It is understood that £112m has already been received by W H Smith, but there are some difficulties over the remaining £30m. W H Smith said that the disposal consideration receivable from Guilbert was "subject to adjustment if, on determination following completion, net assets at March 31 1996, were less than the expected amount of £30m". It said normal contractual negotiations were taking place.

Austin Reed climbed 5 to 219½p after with sparkling results. Frost Group added 7½ to 130p after an upbeat trading statement following an easing in the petrol price war.

BP fell 11 to 699½p with Kleinwort Benson advising clients to switch to Shell Transport. Any benefit for Shell was offset by profit-taking after a strong run and the shares ended the day 12 lower at 1028p.

Leading oil analysts flew out to Italy yesterday on the start of the Enterprise oil operations there. The shares fell 16¼ to 568¼p, but the slide was said to be the result of profit-taking after a good run rather than any concern over the Italian operation.

Pilkington bounced 3½ to 187½p, the best performance on the FTSE 100. Optimism surrounding interest rates in Germany, where Pilkington has a substantial market, supported the stock.

Pub and restaurant stocks continued to benefit from positive sentiment towards the sector following a couple of recent acquisitions. PizzaExpress added 6 to 499½p. Regent Inns firmed 6 to 252½p and J D Wetherspoon climbed 11 to 1147½p.

ICI shed 12½ to 833½p as some analysts moved to follow the downgrade by the joint house broker BZW a month ago.

Racal Electronics was firmer after Tuesday's fall – prompted by a downgrade from joint broker Merrill Lynch. Investors saw that the company's other broker NatWest Securities was maintaining its forecast. The stock recovered 3½ to 279p.

Inchcape, the conglomerate, lifted 8 to 276p after selling its testing services unit to Charterhouse Development Capital for £380m.

Reassessment of the impact of the chancellor's tax credit veto on share buy-backs led to potentially affected stocks recovering some of their lost ground yesterday. Reuters Holdings, which had been most heavily affected because it postponed its £613m return of cash to shareholders, bounced 8½ to 765½p while *banks and utilities were all* firmer.

FT 30 INDEX

	Oct 9	Oct 8	Oct 7	Oct 4	Oct 3	Yr ago	*High	*Low
FT 30	2835.2	2849.2	2848.4	2857.8	2853.8	2562.3	2885.2	2668.8
Ord. div. yield	3.99	3.97	3.97	3.96	3.97	4.18	4.22	3.76
P/E ratio net	17.27	17.39	17.39	17.42	17.39	15.40	17.46	15.80
P/E ratio nil	17.11	17.23	17.23	17.26	17.22	15.22	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96, low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2842.1	2846.9	2845.2	2841.5	2841.7	2841.3	2843.8	2839.4	2833.9	2849.9	2833.2

	Oct 9	Oct 8	Oct 7	Oct 4	Oct 3	Yr ago
SEAQ bargains	40,097	43,580	49,159	43,913	45,373	30,676
Equity turnover (£m)†	-	1747.2	1419.4	1944.3	1680.5	2387.8
Equity bargains†	-	41,236	42,829	41,012	42,968	36,104
Shares traded (ml)†	-	606.7	481.2	638.4	633.4	769.6

†Excluding intra-market business and overseas turnover.

	Oct 9	Oct 8	Oct 7	Oct 4	Oct 3	Yr ago	*High	*Low
FTSE AIM	1008.50	1004.50	1002.10	998.70	1002.70	-	1140.40	965.70

 *For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	498	Total Highs	128	Total contracts	50,391
Total Falls	578	Total Lows	47	Calls	19,634
Same	1,550			Puts	30,757

Oct 9 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4071.0	4044.0	-33.0	4072.0	4032.0	15624	6232
Mar	4078.0	4056.0	-33.0	4078.0	4078.0	54	39
Jun	-	4068.0	-33.0	-	-	0	32

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	4454.0	-5.0	-	-	0	357

FTSE 100 INDEX OPTION (LIFFE) (*4010) £10 per full index point

	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	415 C
Oct	226	1½	176½	2	126½	3½	80	8	38½	19	13	45	2½	88	1
Nov	236½	7	191	12	148	18	108½	28½	74	44½	45½	67	24	98	11½
Dec	265	19	220½	24½	181	34½	141	46½	108	64½	77	86½	52½	114½	34
Jan	272½	29½	232½	39½	194	50½	158½	65	126½	83	97½	104½	73½	131½	53
Jun†	334	80½			270	113½			208½	150			160½	200	

Calls 3,608 Puts 7,212

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P	417 C
Oct	186	1½	147	2½	100	5½	57½	12½	24½	29½	7	61½	1	106	1
Nov	214	9	169½	14½	127½	22	89½	34	58	52	33½	77½	17½	111	8
Dec	239	22½	197	30	158	40	122½	54	91	72½	64½	95½	43	123	26½
Mar	283½	58½			211½	84			149	118½			97½	164½	
Jun†	325½	92½			258½	121½			198½	157½			147½	202	

Calls 7,715 Puts 15,711 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	269.2	337½	314½	AEA Technology	336½		L7.5	3.3	2.8	13.6
§	F.P.	32.1	85½	70½	†Airtech	70½	-4	-	-	-	-
§100	F.P.	-	100	95	Amer Opps Ln 03/05	95		-	-	-	-
§	F.P.	126.1	179½	165½	Brunner Mond	170½		W8.45	2.0	6.2	10.1
-	F.P.	29.5	90½	81½	Cruden Bay	85		-	-	-	-
150	F.P.	30.5	169½	165½	Deltron Electrn	165½	-2	W2.75	2.9	2.1	15.6
§146	F.P.	41.5	246	148	†Elec Retail Sys	197½		-	-	-	-
§	F.P.	11.7	316	315	†Eurasia Mining	315		-	-	-	-
*	F.P.	208.5	£42½	£25⅞	GT Chile Growth	£26⅛		-	-	-	-
§12.5	F.P.	1.83	15¾	13¼	†Grosvenor Land	15¾		-	-	-	-
§	F.P.	-	127	111½	Hartstone 8%	120½		-	-	-	-
*	F.P.	2,112	429	391	Imperial Tobacco	405½	-6½	W20.0	2.5	6.2	8.1
§	F.P.	57.5	177	172	Interoute Telecm	172½	-2	-	-	-	-
§10	F.P.	4.23	11¾	11¼	†Mears Group	11¾		K0.2	-	2.1	-
-	F.P.	1,065	£16⅜	£14⅞	Millennium Chem	£14⅞		Q60c	-	2.7	-
§154	F.P.	20.0	211½	167½	Oriental Rest	209½		15.3	0.6	9.1	23.7
66	F.P.	13.1	106	83	†Personal No Co	84½		-	-	-	-
§65	F.P.	11.9	70½	67½	†Polydoc	69½		-	-	-	-
-	F.P.	6.61	137½	132½	Shalbane	137½		R4.0	2.1	3.6	11.3
-	F.P.	1,045	177	170	Thistle Hotels	173½		3.7	-	2.7	-
§250	F.P.	138.8	290½	282½	Ultra Electn	290½		RW6.5	2.3	2.8	19.7
§	F.P.	9.54	7¾	6¾	†Weeks Group	7¼		0.09	4.8	1.6	16.7

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 8	% chg on day	Oct 7	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1903.46	+0.3	1897.94	1953.07	1.61	-	2520.73	1722.93
Regional Indices								
Africa (13)	2531.72	+0.9	2509.52	2687.81	3.15	35.77	3553.86	2272.74
Australasia (6)	2038.11	-0.4	2095.63	2362.12	2.66	20.45	2927.34	2005.75
North America (12)	1732.74	+0.2	1700.15	1684.69	0.75	64.58	2186.39	1486.94

 "FT Gold Mines Index" is a trademark of The Financial Times Limited. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Oct 9	Day's chge%	Oct 8	Oct 7	Oct 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4009.3	-0.7	4035.6	4031.5	4024.8	3474.3	3.88	2.06	15.66	147.87	1666.49
FTSE 250	4431.3	-0.1	4435.3	4441.0	4437.9	3919.8	3.45	1.55	23.43	151.95	1804.03
FTSE 250 ex IT	4463.0	-0.1	4466.6	4471.4	4469.4	3945.5	3.54	1.58	22.39	159.92	1820.96
FTSE 350	1995.4	-0.5	2006.1	2005.0	2002.1	1737.3	3.79	1.96	16.86	72.53	1694.42
FTSE 350 Higher Yield	1896.2	-0.6	1908.5	1905.6	1903.6	1732.3	5.07	1.65	13.35	93.84	1356.84
FTSE 350 Lower Yield	2101.8	-0.4	2110.9	2111.6	2107.8	1746.8	2.64	2.15	22.04	51.76	1468.57
FTSE SmallCap	2177.32	......	2177.22	2180.15	2178.58	1958.68	3.12	1.57	25.45	57.55	1808.02
FTSE SmallCap ex IT	2170.77	......	2169.87	2172.52	2171.48	1946.17	3.33	1.64	22.85	61.11	1815.44
FTSE All-Share	1969.07	-0.5	1978.82	1978.05	1975.27	1718.30	3.74	1.93	17.30	70.10	1697.47

FTSE Actuaries Industry Sectors

	Oct 9	Day's chge%	Oct 8	Oct 7	Oct 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3944.82	-1.4	3999.07	3966.32	3918.09	2878.04	3.52	1.63	21.82	128.01	1722.22
12 Extractive Industries(6)	4181.49	-1.0	4224.53	4237.04	4242.90	4081.05	3.88	2.66	12.10	161.60	1246.17
15 Oil, Integrated(3)	4092.72	-1.4	4149.50	4106.79	4042.29	2860.63	3.65	1.45	23.64	135.18	1834.11
16 Oil Exploration & Prod(15)	2924.62	-1.7	2976.49	2961.40	2962.84	1894.54	1.81	1.67	41.34	52.04	1772.12
20 GEN INDUSTRIALS(276)	2097.93	-0.2	2102.44	2104.79	2110.80	1955.62	4.00	1.77	17.68	71.62	1166.02
21 Building & Construction(34)	1216.24	+0.3	1212.82	1207.90	1203.93	913.36	3.47	1.49	24.22	36.88	1034.08
22 Building Matls & Merchs(29)	2010.67	+0.6	1998.06	1995.65	2002.00	1698.40	3.83	1.53	21.37	62.79	1031.01
23 Chemicals(25)	2499.79	-0.9	2522.47	2520.36	2531.44	2429.61	4.06	1.52	20.21	85.86	1204.87
24 Diversified Industrials(19)	1541.06	-0.1	1542.92	1544.96	1557.14	1748.94	6.59	1.62	11.71	87.44	887.31
25 Electronic & Elect Equip(37)	2391.47	-0.2	2395.30	2399.00	2393.76	2146.84	3.30	1.46	25.99	61.10	1259.56
26 Engineering(71)	2639.48	-0.5	2652.82	2661.27	2668.77	2153.20	3.09	2.46	16.48	64.45	1622.09
27 Engineering, Vehicles(14)	3223.90	-0.3	3234.68	3261.53	3259.82	2614.22	2.15	2.66	21.85	98.84	1699.46
28 Paper, Pckg & Printing(28)	2638.38	-0.6	2653.29	2657.97	2673.46	2845.81	3.95	1.82	17.37	84.65	1116.82
29 Textiles & Apparel(19)	1202.22	+0.8	1192.34	1175.10	1172.26	1592.32	5.94	1.18	17.89	50.38	747.10
30 CONSUMER GOODS(82)	3758.05	-1.3	3805.71	3804.06	3810.34	3389.64	3.80	1.95	16.88	126.40	1413.34
32 Alcoholic Beverages(8)	2757.01	-0.2	2762.42	2745.58	2768.44	2877.62	4.61	1.63	16.67	104.05	1012.57
33 Food Producers(25)	2609.47	-0.5	2623.40	2607.46	2597.35	2515.12	4.03	1.86	16.65	83.19	1196.09
34 Household Goods(15)	2756.69	+0.6	2740.72	2744.38	2744.67	2556.24	3.89	2.26	14.97	70.86	1063.48
36 Health Care(18)	2080.63	+0.1	2078.58	2071.41	2053.59	2019.80	2.84	1.94	22.61	43.09	1276.08
37 Pharmaceuticals(14)	5820.24	-2.4	5964.59	5996.98	6000.87	4459.50	2.89	2.05	21.08	162.93	2007.87
38 Tobacco(2)	3690.15	+0.5	3672.40	3637.99	3681.05	4808.16	7.03	2.11	8.44	262.07	950.28
40 SERVICES(255)	2594.53	-0.1	2597.71	2595.65	2591.64	2138.84	2.86	1.97	22.24	70.43	1368.11
41 Distributors(30)	2860.84	+1.3	2824.51	2830.85	2839.10	2705.45	2.96	2.01	21.01	73.30	1068.86
42 Leisure & Hotels(25)	3175.57	-0.6	3194.03	3165.09	3179.19	2424.39	2.75	2.03	22.39	172.11	1726.39
43 Media(45)	4441.81	......	4442.77	4442.55	4417.62	3315.36	2.06	2.05	29.70	90.89	1625.41
44 Retailers, Food(15)	1970.59	......	1971.08	1961.45	1953.86	2090.51	3.98	2.35	13.35	63.49	1274.12
45 Retailers, General(45)	2130.50	-0.1	2132.56	2129.90	2129.98	1760.78	3.01	2.08	19.98	55.80	1234.09
47 Breweries, Pubs & Rest.(22)	3083.60	-0.4	3097.03	3101.82	3108.35	2606.23	3.36	1.97	18.91	68.29	1495.23
48 Support Services(50)	2574.36	+0.3	2567.22	2571.65	2569.90	1825.22	1.91	2.25	29.02	43.54	1650.44
49 Transport(23)	2582.58	-0.7	2599.54	2608.77	2601.41	2150.54	3.87	1.12	30.52	82.14	1097.27
60 UTILITIES(33)	2248.18	-0.8	2266.48	2274.51	2289.44	2498.25	5.62	1.80	12.36	158.76	1001.15
62 Electricity(12)	2363.88	-0.1	2366.74	2385.86	2389.72	2751.84	6.45	2.40	8.09	429.17	1280.03
64 Gas Distribution(2)	1259.87	-0.4	1265.53	1231.19	1271.20	1634.02	9.51	0.83	15.77	68.51	861.77
66 Telecommunications(8)	1896.44	-1.5	1925.17	1934.74	1946.31	2078.09	4.25	1.53	19.21	50.32	880.86
68 Water(11)	2181.54	+0.1	2178.53	2202.37	2203.92	2119.81	6.31	2.31	8.58	94.85	1233.81
69 NON-FINANCIALS(670)	2063.69	-0.6	2076.77	2075.27	2074.75	1830.76	3.74	1.84	18.15	74.46	1596.90
70 FINANCIALS(104)	3281.77	......	3280.13	3281.71	3261.28	2633.46	4.04	2.38	13.00	120.83	1443.74
71 Banks, Retail(8)	4731.24	+0.2	4720.08	4717.77	4685.83	3679.75	3.84	2.71	12.00	174.00	1581.01
72 Banks, Merchant(6)	3784.75	-0.5	3804.87	3841.24	3813.07	3485.91	2.75	2.85	15.91	91.01	1216.84
73 Insurance(21)	1523.22	+0.2	1519.60	1517.96	1514.00	1299.69	5.50	2.28	9.96	71.33	1173.04
74 Life Assurance(6)	3787.41	-0.5	3806.58	3810.80	3768.46	3023.82	4.10	1.94	15.74	151.01	1610.27
77 Other Financial(20)	2670.53	-0.3	2677.51	2684.83	2673.08	2348.88	4.00	1.77	17.69	86.83	1547.87
79 Property(41)	1659.92	-0.4	1666.61	1673.49	1669.18	1409.71	3.86	1.26	25.87	47.10	1038.09
80 INVESTMENT TRUSTS(127)	3223.17	-0.2	3229.95	3238.16	3230.22	2901.37	2.21	1.12	50.69	57.94	1136.06
89 FTSE All-Share(901)	1969.07	-0.5	1978.82	1978.05	1975.27	1718.30	3.74	1.93	17.30	70.10	1697.47
FTSE Fledgling	1238.07	......	1238.01	1239.57	1239.57	1068.01	2.81	0.69	64.51	28.50	1309.48
FTSE Fledgling ex IT	1248.16	......	1248.06	1249.72	1249.64	1065.81	3.01	0.82	67.11	31.26	1321.88

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4025.5	4031.5	4028.4	4022.5	4023.7	4022.0	4025.1	4019.1	4010.3	4037.9	4007.2
FTSE 250	4434.5	4434.9	4432.1	4431.9	4432.7	4433.6	4434.2	4435.2	4430.7	4435.9	4430.5
FTSE 350	2002.0	2004.4	2003.0	2000.6	2001.2	2000.6	2001.9	1999.6	1995.8	2007.0	1994.6

Time of FTSE 100 Day's high: 8:46 AM Day's low: 3:56 PM. FTSE 100 1996 High: 4035.6 (08/10/96) Low: 3632.3 (16/07/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1188.7	1189.4	1188.9	1188.2	1188.9	1190.2	1190.2	1190.2	1190.2	1189.5	1185.0	+4.5
Pharmaceuticls	5845.1	5821.6	5822.2	5805.4	5806.4	5790.2	5794.8	5774.5	5752.9	5751.5	5895.2	-143.7
Water	2166.7	2168.1	2168.7	2167.1	2167.1	2167.1	2168.2	2168.3	2169.4	2167.5	2164.4	+3.1
Banks, Retail	4778.7	4793.2	4795.2	4793.9	4801.8	4802.0	4805.9	4807.5	4793.9	4791.6	4780.3	+11.3

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. Auditor: The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	414	494½	
ASDA Group†	6,300	109¾	
Abbey National†	2,900	603½	
Albert Fisher	5,100	40¾	
Allied Domecq†	901	441	
Anglian Water	7,100	552½	
Argos†	154	760	
Arjo Wiggins	198	166	
Assoc. Brit. Foods†	[illegible]	[illegible]	[illegible]
Assoc. Brit. Ports	[illegible]	[illegible]	[illegible]
BAA†	[illegible]	[illegible]	[illegible]
BAT Inds†	[illegible]	[illegible]	[illegible]
BBA	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BP†	[illegible]	[illegible]	[illegible]
BPB Inds	[illegible]	[illegible]	[illegible]
BSkyB†	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland†	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Booker	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Britannic	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Biotech	[illegible]	[illegible]	[illegible]
British Energy	[illegible]	[illegible]	[illegible]
British Gas†	[illegible]	[illegible]	[illegible]
British Land†	[illegible]	[illegible]	[illegible]
British Steel†	[illegible]	[illegible]	[illegible]
Burmah Castrol†	[illegible]	[illegible]	[illegible]
Burton†	[illegible]	[illegible]	[illegible]
Cable & Wireless†	[illegible]	[illegible]	[illegible]
Cadbury Schweppes†	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms.†	[illegible]	[illegible]	[illegible]
Chubb	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union†	[illegible]	[illegible]	[illegible]
Compass	[illegible]	[illegible]	[illegible]
Cookson	[illegible]	[illegible]	[illegible]
Courtaulds†	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue	[illegible]	[illegible]	[illegible]
Dixons†	[illegible]	[illegible]	[illegible]
EMI†	[illegible]	[illegible]	[illegible]
East Midland Elec.	[illegible]	[illegible]	[illegible]
Electrocomponents	[illegible]	[illegible]	[illegible]
Eng China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil†	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Foreign & Col. IT	[illegible]	[illegible]	[illegible]
Gen. Accident†	[illegible]	[illegible]	[illegible]
General Elect.†	[illegible]	[illegible]	[illegible]
Glaxo Wellcome†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Granada†	[illegible]	[illegible]	[illegible]
Grand Met.†	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
Greenalls	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN†	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shs)†	[illegible]	[illegible]	[illegible]
Hammerson	[illegible]	[illegible]	[illegible]
Hanson†	[illegible]	[illegible]	[illegible]
Harrisons Crosfield	[illegible]	[illegible]	[illegible]
Hays	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
Hyder	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI†	[illegible]	[illegible]	[illegible]
Imperial Tobacco†	[illegible]	[illegible]	[illegible]
Inchcape	[illegible]	[illegible]	[illegible]
Johnson Matthey	[illegible]	[illegible]	[illegible]
Kingfisher†	[illegible]	[illegible]	[illegible]
Kwik Save	[illegible]	[illegible]	[illegible]
Ladbroke	[illegible]	[illegible]	[illegible]
Land Securities†	[illegible]	[illegible]	[illegible]
Laporte	[illegible]	[illegible]	[illegible]
Legal & General†	[illegible]	[illegible]	[illegible]
Lloyds Abbey	[illegible]	[illegible]	[illegible]
Lloyds TSB†	[illegible]	[illegible]	[illegible]
LASMO†	[illegible]	[illegible]	[illegible]
London Elect	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]
LucasVarity†	[illegible]	[illegible]	[illegible]
MEPC	[illegible]	[illegible]	[illegible]
MFI	[illegible]	[illegible]	[illegible]
Marks & Spencer†	[illegible]	[illegible]	[illegible]
Mercury Asset Man.	[illegible]	[illegible]	[illegible]
Morrison (Wm)	[illegible]	[illegible]	[illegible]
NFC	[illegible]	[illegible]	[illegible]
NatWest Bank†	[illegible]	[illegible]	[illegible]
National Grid†	[illegible]	[illegible]	[illegible]
National Power†	[illegible]	[illegible]	[illegible]
Next†	[illegible]	[illegible]	[illegible]
Northern Elect.	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Orange†	[illegible]	[illegible]	[illegible]
Pearson†	[illegible]	[illegible]	[illegible]
P & O†	[illegible]	[illegible]	[illegible]
Pilkington†	[illegible]	[illegible]	[illegible]
PowerGen†	[illegible]	[illegible]	[illegible]
Premier Farnell	[illegible]	[illegible]	[illegible]
Provident Financial	[illegible]	[illegible]	[illegible]
Prudential†	[illegible]	[illegible]	[illegible]
REXAM	[illegible]	[illegible]	[illegible]
RMC†	[illegible]	[illegible]	[illegible]
RTZ†	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Railtrack	[illegible]	[illegible]	[illegible]
Rank Group†	[illegible]	[illegible]	[illegible]
Reckitt & Colman†	[illegible]	[illegible]	[illegible]
Redland†	[illegible]	[illegible]	[illegible]
Reed Intl.†	[illegible]	[illegible]	[illegible]
Rentokil†	[illegible]	[illegible]	[illegible]
Reuters†	[illegible]	[illegible]	[illegible]
Rolls Royce†	[illegible]	[illegible]	[illegible]
Royal & Sun Alliance†	[illegible]	[illegible]	[illegible]
Royal Bk Scotland†	[illegible]	[illegible]	[illegible]
Safeway†	[illegible]	[illegible]	[illegible]
Sainsbury†	[illegible]	[illegible]	[illegible]
Schroders	[illegible]	[illegible]	[illegible]
Scottish & New.†	[illegible]	[illegible]	[illegible]
Scot. Hydro-Elec.	[illegible]	[illegible]	[illegible]
Scottish Power†	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Sedgwick	[illegible]	[illegible]	[illegible]
Severn Trent	[illegible]	[illegible]	[illegible]
Shell Transport†	[illegible]	[illegible]	[illegible]
Siebe†	[illegible]	[illegible]	[illegible]
Slough Estates	[illegible]	[illegible]	[illegible]
Smith (WH)†	[illegible]	[illegible]	[illegible]
Smith & Nephew†	[illegible]	[illegible]	[illegible]
SmKl Beecham†	[illegible]	[illegible]	[illegible]
Smiths Inds	[illegible]	[illegible]	[illegible]
Southern Elec.	[illegible]	[illegible]	[illegible]
South West Water	[illegible]	[illegible]	[illegible]
Standard Chartered†	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TI Group†	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle†	[illegible]	[illegible]	[illegible]
Taylor Woodrow	[illegible]	[illegible]	[illegible]
TeleWest†	[illegible]	[illegible]	[illegible]
Tesco†	[illegible]	[illegible]	[illegible]
Thames Water	[illegible]	[illegible]	[illegible]
Thorn	[illegible]	[illegible]	[illegible]
Tomkins†	[illegible]	[illegible]	[illegible]
Unigate	[illegible]	[illegible]	[illegible]
Unilever†	[illegible]	[illegible]	[illegible]
United Biscuits	[illegible]	[illegible]	[illegible]
Utd. News & Media†	[illegible]	[illegible]	[illegible]
United Utilities†	[illegible]	[illegible]	[illegible]
Vodafone†	[illegible]	[illegible]	[illegible]
WPP	[illegible]	[illegible]	[illegible]
Wessex Water	[illegible]	[illegible]	[illegible]
Whitbread†	[illegible]	[illegible]	[illegible]
Williams†	[illegible]	[illegible]	[illegible]
Willis Corroon	[illegible]	[illegible]	[illegible]
Wimpey	[illegible]	[illegible]	[illegible]
Wolseley	[illegible]	[illegible]	[illegible]
Yorkshire Elect.	[illegible]	[illegible]	[illegible]
Yorkshire Water	[illegible]	[illegible]	[illegible]
Zeneca†	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. Figures are rounded. Source: Extel, part of FT Information.

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

WORLD STOCK MARKET INDICES

	Oct 9	Oct 8	Oct 7	1996 High		1996 Low	
gentina							
eral(29/12/77)	(u)	17824.60	17503.88	18881.85	20/5	15297.25	22/8
stralia							
Ordinaries(1/1/80)	2310.7	2331.7	2339.8	2339.80	7/10	2098.10	17/7
Mining(1/1/80)	927.7	938.2	946.1	1118.40	8/5	923.10	23/9
stria							
dit Aktien(30/12/84)	368.08	368.45	367.50	394.88	31/5	349.19	6/9
ded Index(2/1/91)	1081.21	1070.63	1073.53	1142.81	28/5	975.27	2/1
lgium							
20(1/1/91)	1769.75	1778.05	1777.82	1829.85	3/10	1574.80	2/1
azil							
vespa(29/12/83)	(u)	65516.0	66127.0	66622.00	12/7	43801.60	2/1
nada							
tals Minls(1975)	(u)	5008.68	5043.40	5824.60	8/5	4687.47	16/1
mposite(1975)	(u)	5436.54	5441.52	5441.52	7/10	4738.79	15/1
tfolio(4/1/83)	(u)	2688.31	2697.98	2697.98	7/10	2327.38	12/1
ile							
A Gen(31/12/80)	(u)	5604.50	5562.51	5804.33	8/1	5215.28	8/4
nmark							
enhagenSE(3/1/83)	445.77	443.45	440.84	445.77	9/10	368.40	2/1
land							
General(28/12/90)	2200.23	2219.89	2207.89	2223.60	4/10	1651.67	10/1
nce							
250(31/12/90)	1441.26	1447.31	1441.42	1457.58	6/6	1259.16	2/1
40(31/12/87)	2148.71	2161.54	2151.55	2161.54	8/10	1897.85	11/1
rmany							
Aktien(31/12/58)	944.51	944.82	945.80	945.80	7/10	818.56	2/1
merzbank(1/12/53)	2750.1	2748.5	2753.7	2753.70	7/10	2370.10	2/1
(30/12/87)	2702.99	2691.17	2702.64	2702.99	9/10	2284.86	2/1
eece							
ens SE(31/12/80)	953.68	955.29	963.47	1017.86	4/3	872.99	7/8
ng Kong							
g Seng(31/7/64)	12250.57	12108.76	12133.06	12250.57	9/10	10204.87	2/1
lia							
Sens.(1979)	3037.63	3027.35	3002.86	4069.26	18/6	2826.08	25/1
lonesia							
arta Comp.(10/8/82)	566.31	574.78	586.31	630.21	24/4	512.48	2/1
land							
Q Overall(4/1/88)	2673.27	2690.33	2695.53	2700.04	4/10	2234.61	2/1
ly							
ca Comm Ital(1972)	629.19	625.22	631.53	674.10	20/5	572.21	27/3
General(2/1/95)	1067.0	1060.0	1070.0	1142.80	20/5	970.80	27/3
pan							
kei 225(16/5/49)	20870.83	21038.53	21161.01	22666.80	26/6	19734.70	13/3
kei 300(1/10/82)	294.03	296.01	297.74	319.70	26/6	284.48	11/3

	Oct 9	Oct 8	Oct 7	1996 High		1996 Low	
Japan							
Topix(4/1/68)	1589.96	1581.72	1590.88	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2085.43	2078.80	2084.99	2251.48	2/7	1962.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1140.92	1143.08	1148.50	1189.54	30/4	993.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3340.11	3345.45	3433.75	27/8	2738.36	8/3
Netherland							
CBS TtlRtnGen(End 83)	686.4	688.5	685.1	688.58	8/10	538.50	2/1
CBS All Shr(End 83)	403.3	404.5	402.5	404.50	8/10	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2258.01	2265.38	2274.76	2274.76	7/10	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1457.37	1455.10	1449.41	1466.71	12/6	1259.68	30/1
Philippines							
Manila Comp(2/1/85)	3026.24	3037.54	3121.08	3374.48	5/7	2578.87	2/1
Portugal							
BVL 30(4/1/93)	2013.16	2003.55	2006.24	2013.16	9/10	1602.81	2/1
Singapore							
SES All-S'pore(2/4/75)	517.39	513.56	516.02	610.37	5/2	513.56	8/10
South Africa							
JSE Gold(28/9/78)	1742.8♥	1739.1	1727.9	2830.40	29/5	1346.40	2/1
JSE Ind.(28/9/78)	8267.4♥	8258.4	8245.7	8739.30	25/1	7835.80	30/8
South Korea							
KoreaCmpEx**(4/1/80)	817.78	797.62	795.33	986.84	7/5	753.35	28/8
Spain							
Madrid SE(30/12/85)	371.95	373.33	372.75	375.25	1/7	323.75	11/1
Sweden							
AffarsvarldnGen(1/2/37)	2154.7	2169.2	2150.7	2169.20	8/10	1706.60	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1804.55	1809.14	1807.08	1811.66	11/7	1516.19	17/1
SBC General(1/4/87)	1281.44	1285.12	1283.13	1285.12	8/10	114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	6587.86	6584.91	6620.42	6844.66	5/10	4690.22	5/2
Thailand							
Bangkok SET(30/4/75)	949.44	956.34	944.63	1415.04	6/2	944.63	7/10
Turkey							
Istanbul Cmp.(Jan 1986)	79511.8	78711.8	78479.7	79511.80	9/10	38779.30	2/1
WORLD							
MS Capital IntS(1/1/70)	789.8*	793.7	795.7	795.70	7/10	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1768.10	1762.69	1763.86	1768.10	9/10	1504.40	11/1
Euro Top-100(26/6/90)	1487.31	1482.92	1481.43	1482.92	8/10	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	386.27	388.10	388.39	3/10	344.19	2/1
ING Brngs Emrg(7/1/92)	(u)	161.89	162.47	165.91	4/7	147.35	2/1

INDEX FUTURES

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
t	2163.0	2148.0	-20.5	2172.0	2147.0	16,154	29,493
c	2174.0	2158.0	-20.5	2180.0	2165.5	872	16,979
DAX							
ar	2714.0	2701.5	-19.0	2720.5	2697.0	17,748	82,928
c	2736.0	2720.0	-20.5	2736.5	2716.5	50	4,768

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	1686.00	1672.00	-17.00	1695.00	1672.00	5,069	27,676
Oct	1689.50	1690.00	-4.00	1695.25	1686.50	145	2,124
■ SOFFEX							
Sep	3736.5	4425.0	+740.0	3737.0	3679.0	500	1,307
Oct	3741.0	3688.0	-39.7	3741.0	3699.0	3,352	9,641

at Oct 5 : Taiwan Weighted Price 6844.66; Korea Comp Ex 777.31. Base values of all indices are 100 except: Australia All Ordinary and ing - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & erals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ ...vtreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 9 - 2686.29 -17.37

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Oct 8	Oct 7	Oct 4	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5966.77	5979.81	5992.86	5992.86 (4/10)	5032.94 (10/1)	5992.86 (4/10/96)	41.22 (8/7/32)
Home Bonds	102.72	102.55	102.76	106.69 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2076.17	2085.30	2102.14	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	222.68	222.19	221.91	234.00 (12/2)	204.86 (30/7)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6032.36 (6025.28) Low 5930.24 (5945.15) (Theoretical♦)
Day's high 6010.00 (6002.17) Low 5960.08 (5970.50) (Actual♦)

Standard and Poors	Oct 8	Oct 7	Oct 4	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	700.64	703.34	701.46	703.34 (7/10)	598.48 (10/1)	703.34 (7/10/96)	4.40 (1/6/32)
Industrials♥	827.35	830.69	827.80	830.69 (7/10)	702.07 (15/1)	830.69 (7/10/96)	3.52 (30/6/32)
Financial	74.47	74.82	74.86	74.86 (4/10)	58.67 (10/1)	74.86 (4/10/96)	7.13 (4/8/74)
NYSE Comp.	373.51	374.74	374.16	374.74 (7/10)	321.41 (10/1)	374.74 (7/10/96)	4.64 (25/4/42)
Amex Mkt Val	582.01	582.22	579.89	614.98 (22/5)	525.60 (18/7)	614.98 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1240.15	1250.78	1247.56	1250.78 (7/10)	988.57 (15/1)	1250.78 (7/10/96)	54.87 (3/10/74)

■ RATIOS

	Oct 4	Sep 27	Sep 20	Year ago
Dow Jones Ind. Div. Yield	2.15	2.17	2.16	2.43
	Oct 2	Sep 25	Sep 18	Year ago
S & P Ind. Div. yield	1.95	1.97	1.98	2.07
S & P Ind. P/E ratio	22.74	22.54	22.41	17.94

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Micron Tech	7,504,700	31¼	+¼
Bethlhm Stl	5,645,100	8	-¼
Motorola	5,251,100	48½	-¼
Lucent Tech	4,620,300	45½	+1¾
AT & T	4,444,700	39¾	-⅛
Hanson	3,962,700	6¼	-⅛
Am Online	3,733,300	26¾	-¾
McDonalds	3,378,900	46⅛	-½
McDermott	3,329,500	19½	-2½
Pepsico	3,218,700	28¾	-⅛

■ TRADING ACTIVITY

● Volume (million)	Oct 8	Oct 7	Oct 4
New York SE	434.861	383.739	467.257
Amex	21.501	29.760	21.900
NASDAQ	580.426	490.344	574.825
NYSE			
Issues Traded	3,244	3,232	3,231
Rises	1,018	1,130	1,795
Falls	1,371	1,214	700
Unchanged	855	888	736
New Highs	143	234	297
New Lows	31	29	27

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	704.60	706.60	+1.85	706.80	704.35	63,876	178,824
Mar	-	711.00	-	-	711.05	257	4,536

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	20940.0	20910.0	-120.0	21010.0	20890.0	18,306	198,210
Mar	21140.0	21020.0	-210.0	21140.0	21010.0	318	10,225

Open interest figures for previous day.

xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, October 9, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	3.2m	337	-2	Sanyo Elect	2.1m	552	-17
Fuji Heavy Inds	3.0m	524	+9	Toshiba Corp	2.1m	745	-8
Hitachi	2.8m	1,040	-10	Fujitsu	2.0m	1,040	-10
Hitachi Zosen	2.5m	550	-11	Tokai Kogyo	2.0m	890	+43
NKK	2.2m	284	-2	Miyakoshi	1.9m	830	-60

NEW YORK STOCK EXCHANGE PRICES

4 pm close October 9

1996 High	1996 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
24½	17¾	AAR	0.48	2.0	21	280	24¼	23⅞	24⅛	
46⅛	36⅛	AMP	1.00	2.8	18	3568	39¾	38¾	39	-½
87½	68	AMR			16	6761	83⅞	82¼	82⅝	-⅜
50½	37⅜	ASA	2.00	5.1	25	268	39	38¾	38⅞	-⅛
51⅛	38⅛	AbbotL	0.96	1.9	21	10049	50⅝	49¼	49⅜	-1⅜
17¼	12¼	Abitibi Pr	0.40	3.0	6	840	13⅛	13¼	13¼	
20¼	13½	ABM Ind x	0.35	2.0	17	111	17½	16⅞	17⅛	+⅜
19⅞	13⅞	Acptncein			41	285	u19⅞	19⅛	19⅞	+¾
57¼	37¾	ACE Ltd	0.56	1.0	13	4835	56½	55¾	56⅛	-⅛
10⅛	9½	ACM Gvt In x	0.48	4.9	8	332	10	9⅞	9⅞	-⅛
7⅞	6⅝	ACM GvOpp x	0.57	8.1		106	7	6⅞	7	
9⅝	8⅜	ACM Man x	0.90	9.5		132	u9⅝	9½	9½	
13⅞	6⅛	Acme Elect	0.32	4.5	118	33	7¼	7	7⅛	
18	13⅞	Acme Mills			11	1086	u18	17¾	17⅞	+¼
33¾	27¾	Acordia	0.72	2.4	17	2100	30⅜	30⅜	30½	
21⅜	12	Acuson			83	477	17⅛	16½	16⅝	-½
20⅜	17⅞	Adams Expr	0.48	2.4	1	325	u20⅜	20	20	-⅜
21¼	10¼	AdvMic			10	9781	16½	15½	15¾	-¾
11⅛	8½	Advest Grp	0.16	1.6	7	79	10⅛	10	10	-⅛
26⅛	9⅛	Advo Inc	0.10	0.8	850	315	13	12¾	13	+¼
51½	41⅛	Aegon	1.45	2.8	15	109	51¼	51	51	-⅛
6¾	3½	Aerflx			3	120	4⅝	4½	4½	
70⅞	57⅝	Aetna	0.80	1.2	7	11973	68⅜	67½	67⅞	-1⅛
38½	28¼	Aflac	0.40	1.1	15	835	37¾	36¾	36¾	-⅞
21⅛	17⅛	AGL Res	1.08	5.3	16	516	20¼	19¾	20	-⅛
30⅞	21¼	Ahmnsn	0.88	3.0	8	1906	29⅛	28⅝	28⅞	
60⅞	50⅜	AirPrC x	1.10	1.8	16	2475	59⅞	59⅝	59¾	
28⅜	19⅞	Airbne Frt	0.30	1.5	13	375	21⅛	20¼	20½	-⅜
25½	15½	Airgas Inc			37	566	24⅛	23⅜	23⅜	-1
18⅞	13¼	Airlease x	1.80	12.0	9	74	15	14¾	15	+¼
33⅝	25	AirTch			74	31827	26¾	25⅞	26	-⅝
30¾	15⅞	Alaska Air	0.20	1.0	7	1049	21⅞	20¾	20¾	-⅛
22⅝	17¼	Albany Int	0.40	1.8	15	129	u22⅝	22½	22½	
24⅛	14⅜	Albnyl	0.28	1.7	5	184	16⅞	16½	16⅝	-⅛
47½	32½	AlbCulB	0.36	0.8	20	441	44½	43⅞	44⅛	-⅜
40¼	29⅝	AlbCulA	0.36	1.0	17	139	38½	37⅞	37⅞	-½
43½	31½	Albtsn	0.60	1.4	22	3800	43	42½	43	+¼
34⅛	28⅜	AlcnAl	0.60	2.0	12	6487	30½	29¾	29⅞	-¾
66	37⅞	AlcoSt	0.56	1.2	31	2526	48⅝	47⅛	47⅜	-1½
65	39⅛	AlexBrown	1.00	1.6	6	520	63⅝	62½	62½	-¾
21⅝	15⅜	AlexAl	0.10	0.6	21	326	16	15¾	16	+⅛
31	28	AllegP	1.68	5.7	15	1501	29⅞	29⅝	29⅝	-⅛
23¾	19⅞	AllegT	0.64	2.7	17	2854	23½	23⅛	23⅜	-⅛
19⅜	16⅞	Allegrnce	0.40	2.3	16	12986	18	17⅜	17¾	+⅛
28⅞	14¼	Allen Cap	0.20	1.2	17	699	17⅜	16⅞	16⅞	-½
42	30⅝	Allergan	0.48	1.3	24	2132	37¼	37	37⅛	
26⅞	21⅜	Allnce Cap	2.03	7.7	12	128	26⅝	26⅜	26½	+⅛
[illegible]										

- B -

1996 High	1996 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										
44½	32½	Bausch	1.04	2.7	23	3350	38¼	37⅞	38⅛	+½
46¾	33	Baxter x	1.21	2.7	18	5638	46	45⅜	45½	-⅜
43⅜	20¼	BayNtwks			22	18347	24⅝	23¾	23¾	-⅝
29⅞	25⅜	Bay St Gas	1.54	5.7	12	90	27⅜	27	27¼	
40⅞	16¾	BBN			5	708	18⅛	17⅝	17⅞	+⅛
22¾	19⅜	Bd Tr 1838	1.56	7.9		48	19⅝	19½	19⅝	
8⅞	7¼	BEA Inc x	0.72	9.3		670	7⅞	d7¾	7¾	
9⅜	8½	BeaStra x	0.81	8.9		17	9⅛	9	9⅛	+⅛
24⅞	17¼	Bear Strns	0.60	2.5	7	1314	24½	24⅛	24⅛	-¼
44⅞	41	BearStPfA x	2.85	6.5		2	43⅞	43⅞	43⅞	

[illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

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- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

Continued on next page

NYSE PRICES

4 pm close October 9

- X-Y-Z -

47⅞	39¾	Xtra Corp	0.72	1.7	16	11	42⅞	42⅞	42⅞	
25¾	20⅜	Yankee Egy	1.30	5.6	12	49	23⅜	23⅛	23⅛	-⅜
53¾	43⅞	York Int	0.36	0.7	22	492	49⅛	48⅛	48½	+⅛
3⅞	3	Zapata	0.14	3.9	10	584	3⅝	3⅜	3⅝	+⅛
25¾	5⅞	ZnthEl			11	4351	16¼	15⅝	15⅞	-¼
28⅞	21⅛	Zenith Nat	1.00	3.7	36	107	27¼	27	27	-⅜
7⅛	6½	Zenix Inc	0.72	10.3		261	u7⅛	7	7	-⅛
22⅞	15⅛	Zero	0.12	0.6	17	143	20⅛	19⅞	20	-⅜
23¼	18½	Zurn Ind	0.40	1.8	19	113	22½	22⅜	22½	-⅛
11⅜	10½	Zweig Fund x	1.08	9.8		502	11	10⅞	11	-⅛
9	8¼	Zweig Totl x	0.84	9.9		517	8½	8⅜	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
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AMEX PRICES

4 pm close October 9

NASDAQ NATIONAL MARKET

4 pm close October 9

US shares slip back on profit-taking

AMERICAS

Profit-taking continued to hurt the US equity market at mid-session yesterday in spite of signs of rebounding demand for semiconductors that lifted many companies in the technology sector, *writes Lisa Bransten in New York.*

The Dow Jones Industrial Average crept modestly higher when trading opened, but almost immediately fell back into negative territory amid rumours, subsequently denied, over the health of the Russian president, Mr Boris Yeltsin. For the first time this week, the Dow failed to reach the 6,000-point level in morning trade.

By 1 pm the Dow was off 30.94 at 5,935.83, the more broadly traded Standard & Poor's 500 fell by 3.39 at 697.25 and the American Stock Exchange composite shed 1.93 at 580.08. Volume on the New York Stock came to 240m shares.

The technology-rich Nasdaq composite surged as much as 23.66 points at the start of trading before posting a sharp retreat. By midday the index was nearly flat with a gain of 0.70 at 1,240.85. Meanwhile, the Pacific Stock Exchange technology index was 0.6 per cent stronger.

The sharp gains on the Nasdaq were sparked by a report from the Semiconductor Industry Association showing an increase in demand for silicon chips. The report, released after the market closed on Tuesday, showed that the ratio of orders booked to orders shipped rose to 0.99 in September from 0.93 in August.

Rising shares in the semiconductor sector included Intel, up $¾ at $102⅞. Micron Technology, up $1½ at $33, LSI Logic, $1⅝ stronger at $25⅝ and Texas Instruments, which added $1⅝ at $56⅞.

Several computer makers were also stronger. Gateway 2000 added $1⅛ at $48⅜ and Compaq Computer $1⅞ at $68⅝. However, Microsoft, the largest company on the Nasdaq, gave up $1 at $134⅜ on the heels of a rally that has seen the company's shares jump 10 per cent since the start of September.

Elsewhere, Marvel Entertainment slid $2⅛ or 28 per cent to $5⅝ after warning late on Tuesday that it expected to make a loss of 7 to 12 cents a share in the third quarter.

TORONTO stood out against the downtrend on Wall Street to rack up modest gains by the close of the morning session. At noon, the 300 composite index was 8.85 ahead at 5,445.39.

Gold stocks were the best performing sector, while Northern Telecom found clear favour among individual shares, adding C$1.55 to C$83.55. Alcan Aluminium dipped 30 cents to C$41.10 and Seagram came off 20 cents to C$48.60. Royal Bank of Canada hardened 10 cents to C$40.80.

CARACAS was 1.2 per cent higher as investors anticipated a fall of up to 4 percentage points in interest rates at yesterday's 40bn bolivars auction of central bank TEMs. The IBC index, which gave up 3.8 per cent on Tuesday, firmed 75.26 by mid-session to 6,168.65.

News that the benchmark Electricidad de Caracas was *considering reinstating its suspended dividend payments* also provided the market with support as the share rose 7.45 bolivars to 553 bolivars.

BUENOS AIRES was flat at midday, after its nine-session rally, with the Merval index just 0.08 higher at 590.19. YPF, the oil giant which pushed 3 per cent higher on Tuesday on foreign buying – attributed to a buy recommendation – edged lower in morning *trade yesterday.*

MEXICO CITY opened slightly higher in response to the overnight fall in primary interest rates, but soon turned back in response to the weakness on Wall Street. The IPC index at mid-session stood 3.40 easier at 3,336.71.

RWE rattles telecoms contenders

EUROPE

Closing early, Copenhagen, Oslo and Istanbul managed to register further closing highs, but these were overshadowed by later falls in senior bourses, which followed the Dow.

FRANKFURT ended 20 points off its day's peak, the Dax index closing 17.37 lower at 2,685.23. However, for sheer impact, the broad market had to give best to RWE, the energy group, which rattled the utilities sector by abandoning a telecommunications partnership with Viag and British Telecom and allying itself with Veba.

RWE climbed DM2.22, or 3.8 per cent, to DM60.12, while Viag dropped DM26.20 or 4.3 per cent to DM578.20. Ms Lynn Reinhardt, utilities analyst at BZW in Frankfurt, questioned whether the advantage to RWE would be as strong as the share price indicated.

She did think that Viag, committed to 52 per cent of the estimated DM4bn costs of the E2 cellular telephones network, would miss the deep pockets attributed to RWE. Turnover inched up again, from DM8.7bn to *DM8.8bn.*

PARIS ended marginally lower after another heartstopping session for Eurotunnel. At the close, the CAC 40 index was off 14.83 at 2,146.71.

Eurotunnel built up massive trading volume for the second day running and ended with a decline of more than 10 per cent. A number of brokers were said to have turned very negative on the shares, down by more than 17 per cent in two days, following disappointment with the group's £9bn debt refinancing deal.

The Channel tunnel operator closed off 85 centimes at FFr7.50 in volume of 13.7m shares, after a record-breaking 20.2m on Tuesday.

UAP, the insurance giant, recorded strong interim profits and rose FFr1.90 to FFr108.90. In the same sector, GAN gained FFr4.60 to FFr126.60 on press speculation that the sale of the government's stake in CIC could be linked to a similar move involving GAN.

Eramet came off FFr20.20 to FFr257.60 amid renewed concern about outlook for ownership of its nickel mine in northern New Caledonia.

AMSTERDAM had a steady session, underpinned by a firm bond market and solid gains at Philips. The AEX index closed 1.31 easier at 587.84.

Philips led the activity charts on the September recovery in the widely followed US semiconductor book-to-bill ratio. The shares put on Fl 1.30 at Fl 64.10.

Profit-takers homed in on Royal Dutch, which fell Fl 3.80 to Fl 279.60 after a good run on news of possible joint ventures with Texaco of the US.

News that Bankers Trust Australia, a near 20 per cent shareholder in TNT, planned to turn down the agreed bid for the company from KPN, left the latter off 30 cents at Fl 59.60.

ZURICH turned back from its best levels, the SMI index closing 10.2 weaker at 3,807.9.

CS Holding fell SFr1 to SFr128.75 on profit-taking while Elektrowatt, which soared on Tuesday on renewed speculation that CS *Holding might announce a* divestment of its 45 per cent stake, gave up SFr14 to SFr485.

Alusuisse slipped SFr9 to SFr936, pressured by the fall out from a profits warning by Alcoa in the US.

Tag Heuer, the luxury sports watchmaker, continued to slide, down SFr6.25 to SFr221, compared with the SFr245 offer price on September 27. One analyst commented that a number of factors, including sharply lower 1996 earnings, had pressured the stock.

Maag, the mechanical engineering company, gave up SFr15 of Tuesday's SFr45 surge to close at SFr160.

MILAN ran out of steam after a positive start and while the Comit index moved 3.97 higher to 629.19, the real-time Mibtel index turned back from a high of 10,082 to close 51 weaker at 9,948.

Fiat pushed L58 ahead to L4,167, helped by news of the flotation of at least 31 per cent of its tractor and farm machinery division, New Holland, in New York for $1.2bn. The shares, which hit a low for the year on Tuesday, had been depressed by the poor performance of the Italian car market and the high value of the lira.

Olivetti was reassured early in the day by media reports that NEC and Sony of Japan might be interested in its personal computer business. However, the shares turned back from a high of L545 to close L11.6 down at L515.7 when both foreign groups denied that they had any such ambitions.

Telecoms stocks were pressured as investors prepared for the flotation of Deutsche Telekom. Telecom Italia dropped L53 to L3,398.

BRUSSELS saw a small first-half loss, instead of the small profit expected at Arbed, the Luxembourg steelmaker, and the shares dropped to BFr3,620 before staging a partial recovery and closing BFr55, or 1.5 per cent lower at BFr3,705. The *Bel-20 index closed 8.30* lower at 1,769.75.

HELSINKI focused on a sharp fall in Cultor, down FM15 to FM229, as the foodstuffs and animal feed group revealed a larger than expected 42 per cent slide in eight-month profits, in spite of an earlier profits warning. The Hex index lost 19.66 to 2,200.33, weighed down further by a FM7 drop in Metra to FM269, in spite of slightly higher January to August profits.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices — THE EUROPEAN SERIES

Oct 9	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
Hourly changes								
FTSE Eurotrack 100	1766.12	1765.53	1765.06	1765.53	1767.91	1768.94	1769.14	1763.10
FTSE Eurotrack 200	1812.92	1812.77	1812.28	1811.98	1813.47	1815.25	1814.78	1812.94

	Oct 8	Oct 7	Oct 4	Oct 3	Oct 2
FTSE Eurotrack 100	1762.63	1763.88	1754.03	1749.01	1745.79
FTSE Eurotrack 200	1813.15	1816.22	1806.10	1803.74	1803.57

Base value 1000 (26/10/90). [illegible]
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S Africa continues to advance

Shares in Johannesburg moved ahead for the seventh day running, but volumes were subdued and buying was said to lack enthusiasm. At the close, the overall index was up 12.2 at 7,059. Industrial shares put on 9.0 to 8,267.4 while golds lost some of their recent shine, easing back by 3.7 to 1,742.8.

Dealers said that Wall Street's dull start had made for a lacklustre afternoon. Bullion showed signs of improving, but the news came too late to affect gold shares.

Most activity centred on a handful of leaders. South African Breweries gained R1 to R123 and Gencor added 35 cents to R16.85.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: October 4th 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '95	Local currency terms: October 4th 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '95
Latin America	(248)	550.06	+2.9	+16.6			
Argentina	(31)	878.83	+3.3	+9.7	539,014.37	+3.3	+9.7
Brazil	(68)	381.22	+2.4	+24.9	1,456.97	+2.5	+31.2
Chile	(43)	727.57	+1.5	-2.8	1,204.58	+1.6	-1.2
Colombia[1]	(15)	644.65	+2.1	+7.8	1,155.75	+1.0	+10.1
Mexico	(66)	555.40	+3.6	+22.6	1,802.68	+3.5	+19.7
Peru[2]	(21)	221.90	+0.0	+12.5	342.45	+0.5	+23.3
Venezuela[3]	(5)	752.07	+22.6	+124.9	8,054.25	+21.1	+208.6
Asia	(632)	253.84	+0.5	+9.3			
China[4]	(24)	60.88	+3.3	+12.5	63.79	+3.3	+12.2
South Korea[5]	(145)	93.77	-3.6	-25.5	101.66	-3.2	-20.8
Philippines	(35)	300.92	-2.2	+15.9	381.87	-2.1	+16.1
Taiwan, China[6]	(83)	149.69	+1.0	+32.7	154.48	+1.0	+33.7
India[7]	(76)	80.04	-5.1	-0.4	101.32	-5.1	+0.9
Indonesia[8]	(44)	120.84	+2.4	+10.2	152.49	+2.6	+11.9
Malaysia	(123)	327.07	+2.3	+20.6	301.81	+2.0	+18.8
Pakistan[9]	(25)	221.69	+2.0	-8.6	373.16	+2.0	-1.0
Sri Lanka[10]	(5)	96.59	+0.9	-7.2	119.92	+1.6	-0.8
Thailand	(72)	276.49	-4.1	-26.4	279.24	-4.1	-25.7
Euro/Mid East	(238)	142.78	+1.6	+0.8			
Czech Rep	(5)	71.00	-1.7	+18.3	64.35	-0.6	+21.0
Greece	(47)	260.75	+0.0	+7.9	425.63	+0.1	+10.0
Hungary[11]	(8)	179.12	+2.4	+82.0	334.95	+2.9	+107.0
Jordan	(8)	180.75	-1.2	-2.1	270.05	-1.2	-2.0
Poland[12]	(22)	777.75	-0.9	+82.4	1,378.21	-0.5	+108.2
Portugal	(26)	135.20	+0.8	+16.8	143.94	+0.7	+21.1
South Africa[13]	(63)	229.89	+1.4	-10.9	215.47	+1.5	+10.9
Turkey[14]	(54)	149.24	+5.9	+42.8	6,516.52	+7.2	+118.0
Zimbabwe[15]	(5)	418.12	-3.8	+52.2	640.48	-3.2	+69.9
Composite	(1119)	301.70	+1.6	+9.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

The outlook for Indian shares continues to darken with negative factors depressing market sentiment, writes Tony Tassell in Bombay. The market faces political uncertainty, an erratic pace of economic reform, forecasts of a drop in corporate earnings growth, interest rates above 20 per cent, falls in foreign institutional investment and a slowing economy.

After a sharp rally in the first six months of the year, driven by a rush of foreign investment, the market has slumped by 26 per cent from a June 17 peak. In the last week alone, the *BSE-30 index has fallen 6 per cent.*

Yesterday it closed 10.28 higher at 3,037.63 but traders say that this slight rally may be shortlived.

Analysts suggest that the past week's slide was triggered by the government's imposition of a 20 per cent cap on foreign holdings in the State Bank of India, the country's largest commercial bank.

They add that the slide highlights the current vulnerability in the Indian market which is being driven by sentiment and speculation in the absence of any depth of liquidity, following a drying up of foreign investment in recent months.

Seoul leaps 2.3% on plan for economy

ASIA PACIFIC

Finance ministry measures to boost the flagging South Korean economy took **SEOUL** up by 2.3 per cent. The steps included slashing domestic steel prices and opening up power production to private sector competition.

The composite index rose 20.16 to 817.78 as economic planners and senior officials at the ruling New Korea *party agreed in principle* that money market rates would soon be lowered by 1-2 per cent. A cut in the reserve requirement for banks was also being considered, officials said.

Samsung Electronics, the country's largest chipmaker, ended 5.2 per cent higher on news that the North American semiconductor book-to-bill ratio, which measures the value of orders against shipments, rose in September. The shares added Won3,500 to Won71,000.

TOKYO continued to slide ahead of today's national holiday, with growing uncertainty over the Japanese economy and politics taking the Nikkei average below 21,000, *writes Gwen Robinson.*

The 225 index closed at *20,870, down 167.70* from Tuesday's close, after moving between 20,813.64 and 20,983.23. Volume crept up from 235m shares to an estimated 243m.

The Topix index of all first-section stocks lost 11.76 to 1,569.96, while the capital-weighted Nikkei 300 shed 1.98 to 294.03. Declines overwhelmed advances by 921 to 153 with 166 issues unchanged. In London the ISE/Nikkei 50 index rose 1.13 to 1,425.40.

Traders said that the approaching settlement date for the expiry of October options contracts had prompted heavy selling.

West Japan Railway (JR West), the biggest listing on Japan's stock exchanges in recent years, followed its lukewarm market debut on Tuesday to close at Y371,000, up Y4,000. *This compared with Tuesday's opening price of Y360,000.*

The stock was thought likely to hover on the upside *of its current range for the* short-term, thanks partly to JR West's larger than expected pre-tax profit projection of Y54bn for the fiscal year to next March, analysts said.

JR West's performance contrasted starkly with that of East Japan Railway (JR East), which listed three years ago as the first railway of the defunct JNR group to privatise. The stock fell sharply and continued its slide of recent sessions to finish at Y498,000, down Y11,000.

Semiconductor-related issues lost ground in spite of an improved supply/demand balance for computer chipmakers in the US market. Nikon lost Y20 to Y1,250, *Hitachi declined Y10 to* Y1,040 and Toshiba lost Y8 to Y745.

In Osaka, the OSE average lost 176.12 to 21,557.07 in volume of 19.9m shares.

HONG KONG rose 1.2 per cent to a record high on foreign buying, extending the market's advance this year to 22 per cent.

The Hang Seng index gained 143.81 to 12,250.57 in turnover that edged back to HK$6.2bn.

Hang Seng Bank jumped HK$2.75 to HK$87.00 and Henderson Land jumped HK$1.50 to HK$69.75.

SINGAPORE rebounded from its morning lows in largely technical trade and the Straits Times Industrials index finished 19.42 higher at 2,135.46.

Volume, however, was a low 70.4m shares.

SIA Foreign and Keppel led gainers, each rising 30 cents to S$14 and S$10.50 respectively.

JAKARTA continued to lose ground, but brokers reported signs of bargain hunting towards the close. The composite index fell 8.46 *to 566.32 for a two-day* decline of 20 points.

Sampoerna, the cigarette maker at the centre of Tuesday's hectic activity when worries about a debt downgrade sparked heavy foreign selling, ended off Rp475 at Rp18,300 after touching a low of Rp17,200.

SYDNEY closed almost 1 per cent lower after another bad day for resource and banking stocks. The All Ordinaries index ended off 21.0 at 2,310.7.

Banks were hit by profit-taking and concern about pressure on operating margins. National Australia Bank came off 26 cents to A$13.35 and ANZ fell 17 cents to A$7.28.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	TUESDAY OCTOBER 8 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY OCTOBER 7 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (78)	210.22	-0.2	199.37	147.86	166.91	177.15	-0.5	4.30	210.59	199.66	148.11	167.55	178.05	212.18	179.77	184.44
Austria (24)	180.33	0.0	171.02	126.84	143.17	143.06	-0.2	1.96	180.39	171.03	126.87	143.52	143.41	195.04	168.11	180.18
Belgium (27)	217.75	0.1	206.51	153.16	172.88	168.88	-0.1	3.95	217.57	206.28	153.01	173.10	169.12	221.99	190.88	192.33
Brazil (28)	181.34	0.0	171.98	127.55	143.98	341.20	0.0	1.90	181.28	171.88	127.49	144.24	341.20	189.70	123.97	148.59
Canada (116)	175.00	-0.3	165.96	123.10	138.95	171.68	-0.2	2.08	175.50	166.40	123.43	139.64	171.98	175.50	134.14	144.84
Denmark (30)	328.44	0.7	311.49	231.02	260.77	261.35	0.5	1.76	326.14	309.22	229.37	259.49	259.97	328.44	276.89	279.48
Finland (23)	220.20	0.7	208.84	154.88	174.83	210.87	0.6	2.37	218.61	207.27	153.75	173.93	209.64	253.37	171.73	251.22
France (93)	200.00	0.6	189.68	140.68	158.79	161.93	0.4	3.00	198.72	188.41	139.76	158.11	161.23	200.00	167.70	171.22
Germany (58)	179.73	-0.1	170.46	126.42	142.70	142.70	-0.3	1.72	179.94	170.61	126.55	143.17	143.17	179.94	155.66	158.15
Hong Kong (59)	458.30	-0.3	434.65	322.38	363.87	454.95	-0.3	3.42	459.52	435.68	323.18	365.61	456.16	459.52	354.67	384.14
Indonesia (27)	206.21	-2.3	195.57	145.05	163.73	293.55	-2.4	1.71	211.08	200.13	148.45	167.94	300.68	-	-	-
Ireland (16)	308.10	-0.1	292.20	216.71	244.62	270.46	-0.3	3.32	308.44	292.44	216.92	245.41	271.42	308.44	241.27	246.47
Italy (58)	78.58	-0.2	74.53	55.27	62.39	89.13	-0.2	2.30	78.78	74.69	55.40	62.68	89.28	84.53	67.22	74.58
Japan (480)	143.48	-0.6	136.08	100.92	113.92	100.92	-0.6	0.76	144.37	136.88	101.53	114.87	101.53	164.68	137.75	147.84
Malaysia (107)	574.34	-0.8	544.70	403.98	456.00	553.65	-0.7	1.19	579.08	549.03	407.26	460.73	557.78	585.09	425.77	482.58
Mexico (27)	1276.81	-0.2	1210.94	898.09	1013.75	10516.76	-0.1	1.33	1279.94	1213.52	900.16	1018.36	10531.32	1325.65	791.99	1075.29
Netherland (19)	310.89	0.7	294.94	218.74	246.92	243.40	0.6	3.03	308.70	292.68	217.10	245.61	241.93	310.99	251.81	257.82
New Zealand (15)	87.35	-0.7	82.84	61.44	69.35	67.08	-0.6	4.09	87.97	83.40	61.87	69.99	67.48	87.97	75.94	76.16
Norway (35)	262.20	0.8	248.67	184.43	208.18	231.27	0.7	2.20	260.10	246.60	182.92	206.94	229.69	262.20	222.24	231.69
Philippines (22)	190.65	-3.0	180.82	134.10	151.37	249.50	-3.0	0.65	196.45	186.25	138.16	156.30	257.09	-	-	-
Singapore (43)	382.76	-0.3	363.02	269.23	303.90	248.83	-0.3	1.12	383.80	363.88	269.92	305.36	249.65	465.21	361.94	376.87
South Africa (44)	352.67	0.1	334.47	248.06	280.01	349.60	0.1	2.20	352.26	333.98	247.74	280.27	349.28	437.78	314.20	357.11
Spain (37)	184.00	0.4	174.51	129.42	146.09	179.11	0.2	3.28	183.33	173.82	128.94	145.87	178.72	184.00	145.15	145.92
Sweden (48)	395.12	1.4	374.73	277.92	313.71	385.69	1.1	2.22	389.67	369.45	274.05	310.04	381.50	395.12	294.19	308.41
Switzerland (37)	249.69	0.5	236.80	175.62	198.24	193.49	0.1	1.53	248.35	235.47	174.66	197.60	193.33	254.34	217.24	217.24
Thailand (45)	121.16	1.5	114.91	85.22	96.19	119.63	1.5	2.87	119.32	113.13	83.92	94.94	117.85	193.95	119.32	168.69
United Kingdom (213)	253.87	0.0	240.77	178.57	201.57	240.77	0.1	3.91	253.76	240.60	178.47	201.90	240.60	253.87	220.85	225.56
USA (624)	285.37	-0.4	270.65	200.73	226.58	285.37	-0.4	2.08	286.55	271.68	201.53	227.98	286.55	286.55	236.38	238.56
Americas (795)	261.08	-0.4	247.61	183.64	207.29	219.44	-0.4	2.07	262.12	248.52	184.35	208.55	220.30	262.12	215.17	218.07
Europe (718)	222.28	0.3	210.81	156.35	176.48	193.77	0.2	2.95	221.65	210.15	155.88	176.35	193.47	222.28	191.44	193.98
Nordic (136)	335.74	1.1	318.42	236.15	266.57	288.69	0.9	2.17	331.94	314.72	233.45	264.10	286.10	335.74	261.13	284.81
Pacific Basin (876)	158.66	-0.6	150.47	111.60	125.97	113.20	-0.6	1.24	159.58	151.30	112.23	126.97	113.86	177.01	148.86	158.40
Euro-Pacific (1594)	185.04	-0.1	175.50	130.16	146.92	143.57	-0.2	2.09	185.32	175.70	130.33	147.44	143.88	190.57	166.51	173.13
North America (740)	278.68	-0.4	264.31	196.02	221.27	277.85	-0.4	2.08	279.81	265.29	196.79	222.63	278.96	279.81	230.17	232.77
Europe Ex. UK (505)	200.25	0.4	189.92	140.85	159.00	166.42	0.2	2.39	199.41	189.06	140.24	158.66	166.08	200.25	170.51	172.91
Pacific Ex. Japan (396)	294.08	-0.4	278.91	206.85	233.49	253.93	-0.5	2.94	295.36	280.03	207.72	235.00	255.22	296.69	243.59	259.00
World Ex. US (1809)	186.98	-0.1	177.33	131.52	148.45	148.60	-0.2	2.09	187.25	177.54	131.69	148.98	148.90	191.56	167.36	174.14
World Ex. UK (2220)	214.24	-0.3	203.18	150.69	170.10	182.89	-0.3	1.89	214.87	203.72	151.11	170.96	183.30	214.87	185.61	190.78
World Ex. Japan (1953)	257.32	-0.2	244.04	180.99	204.30	243.41	-0.2	2.43	257.75	244.38	181.27	205.08	243.94	257.75	217.26	219.73
The World Index (2433)	217.66	-0.3	206.43	153.10	172.82	187.82	-0.3	2.08	218.23	206.91	153.48	173.63	188.47	218.23	186.87	193.83

CONSTITUENT CHANGE with effect 11/10/96: deletion: Turner Broadcasting B (US). Latest prices were unavailable for this edition.